

Australia	\$222	Indonesia	\$230	Portugal	\$210
Belgium	\$248	Italy	\$240	Spain	\$240
Canada	\$210	Japan	\$240	Switzerland	\$240
Denmark	\$240	South Korea	\$240	Taiwan	\$240
France	\$240	Thailand	\$240	USA	\$240
Germany	\$240	UK	\$240		
Greece	\$240				
Hong Kong	\$240				
India	\$240				

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,296

Tuesday July 28 1987

Peru's tough guy
plays it close to
the edge, Page 18

D 8523 A

World News

Panama steels for general strike

Panama faces a nationwide strike today which threatens to paralyse the banking industry and disrupt shipping in the Panama Canal. The two-day strike has been called by opposition groups seeking to remove the country's Defence Force chief General Manuel Antonio Noriega, who has been accused of political killings and corruption. Page 4

Punjab violence

Sikh extremists shot dead three Sikh men and a woman, bringing the July death toll to 200 as a result of violence in the northern Indian state. The monthly death toll was the highest since June 1984 when the Indian army stormed the Golden Temple in Amritsar.

Embassy guard

Lebanese police deployed around the Swiss embassy in Moscow West Beirut following a threat against Swiss interests if Switzerland extradited a Lebanese hijacker to France.

Nazi executed

Former Nazi extermination camp guard Fyodor Fedorenko, 60, was executed in Moscow, Tass news agency reported. No details of the execution were given.

Standstill in Athens

Athens ground to a standstill as Greece celebrated the eighth day of a heatwave. The death toll rose to more than 700 and almost one million people deserted the city for the cooler breezes of the islands.

Swim to West

An East German farmer swam across the River Elbe and reached the West German shore safely. The 27-year-old man who climbed across by a rope was one of five East Germans to cross the border in the past two days.

Ferry prosecution

Belgian Minister of Communications and External Trade Herman de Croo warned that those held responsible for the capsizing of the ferry *Endymion* could still be prosecuted under Belgian law. Page 3

ANC funeral

Assassinated African National Congress official Peter Sello Motanu was buried in a peaceful ceremony attended by anti-apartheid activists. Winona, Minn., police who confronted police when they detained three black youths at the ceremony. Page 3

South Korea floods

Torrential rains caused landslides and floods that left 66 people dead, 34 missing and thousands homeless. It was the third time in three weeks that Seoul and nearby areas had been hit by storms.

Surfing the Atlantic

A young French athlete, Stephane Peyron, aged 26, made the first solo transatlantic crossing on a wind surfboard arriving at the *Britannia* coast.

French air strike

Pilots and flight deck crew from France's domestic airline Air Inter will strike on Saturday and Sunday in a dispute over manning levels on new planes. French air traffic controllers are in their 15th week of industrial action over pension payments.

French on standby

France put an aircraft carrier task force on standby for possible action in the Gulf. Defence Minister Andre Giraud said the move was purely precautionary.

Shultz meeting

US Secretary of State George Shultz met the Russian Ambassador in Washington to discuss a meeting later in the year with the Soviet Foreign Minister, amid increased signs of arms control progress.

Business Summary

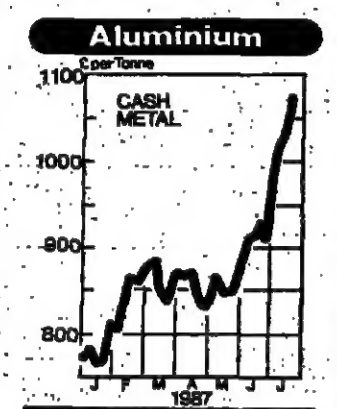
Maxwell gives up bid for US publisher

ROBERT MAXWELL, UK publisher, ended his attempts to take control of US publishing group Harcourt Brace Jovanovich and announced that his BPC company was ending all legal action against the US concern.

DUPONT, largest US chemicals company, reported modestly higher second quarter net income - up 11 per cent to \$304m - as strong improvements in the chemical businesses were partially offset by declines in its Conoco oil subsidiary. Page 21

CHRYSLER, third largest US vehicles group, is considering supplying cars to Europe from its plant in Canada and Mexico to take advantage of tax rebates available to exporters in those countries. Page 21

ALUMINIUM: London Metal Exchange aluminium market built on its recent strength, with



the cash position gaining another \$7 to \$1,074 a tonne - a 25 per cent rise. The dollar-denominated LME contract ended the day only \$1 above Friday's close at \$1,640 a tonne. Commodities, Page 30

WALL STREET: The Dow Jones Industrial average closed up 24.14 points at 2,843.45.

LONDON: A fresh setback in government bonds set the scene for another day of sliding equities. Bonds showed net falls of 1.34. The FT-SE 100 index was down 12.40 to 2,353.9 and the FT Ordinary index lost 10.8 to 1,894.2. Details, Page 38; UK bonds tumble, Page 8

TOKYO: Investment trusts stepped into the market, lifting the Nikkei average 140.97 to end at 24,104.98. Page 42

GOLD fell \$1.00 on the London bullion market to close at \$432.25. It also fell in Zurich to \$432.50 (\$433.45). Page 39

DOLLAR closed in New York at DM 1.8590, ¥150.05, SFR 1.5890 and Ffr 1.6700. It rose in London to DM 1.8550 (DM 1.8535) to ¥150.30 (¥149.90) to Ffr 1.6725 (Ffr 1.6715) to SFR 1.5885 (SFR 1.5885). On Bank of England figures the dollar's exchange rate index was unchanged at 103.7. Page 31

STERLING fell in London to \$1.5985 (\$1.6040) to DM 2.9650 (DM 2.9725) to SFR 2.46 (SFR 2.4625) and to Ffr 9.8675 (Ffr 9.8625). The pound's exchange rate index fell 0.2 to 72.5. It closed in New York at \$1.5985. Page 31

ELSEVIER, Dutch publisher, has raised by about 12 per cent its hostile offer for Kluwer, a small rival, in a bid to move to top a competing friendly bid by Wolters Kluwer. Page 22

FIRST CITY Holdings, which has been at the centre of a Singapore government investigation into possible improper share transactions, said it planned to sell its entire stake in First Capital Corp to United Industrial Corp. Earlier story, Page 24

TORRES HOSTENCE, Catalan paper company regarded as the spearhead of a Kuwaiti investment offensive in Spain, has become the main shareholder in Union Explosivos Rio Tinto (ERT), leading Spanish chemical group, by buying up some of 15 per cent of its capital through the Barcelona Stock Exchange. Page 21

Aquino says banks forced through \$13bn debt deal

BY RICHARD GOURLAY IN MANILA

PRESIDENT Corason Aquino of the Philippines yesterday launched a swinging attack on the country's creditor banks during her first state-of-the-nation address to the new Congress.

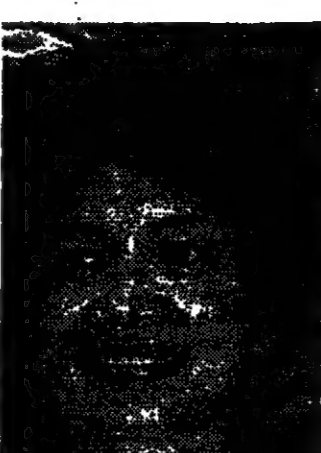
Mrs Aquino, vowing to fight both the communist insurgents of the left and the coup plotters of the right, made possibly the most forceful speech since she became President in February last year.

Her address to the first sitting of the newly-elected two-house Congress marked the Philippines' return to full parliamentary democracy for the first time since former President Ferdinand Marcos introduced martial law in 1972.

She reserved her strongest remarks for the 12-member committee of creditor banks who, she said, had "seized" the country into signing a debt agreement covering \$13.2bn of the country's \$28bn external debt earlier this month in New York.

"Under the continued threat of a cut-off in trade credits which would have given new vigour to the enemies of democracy, and given them a signal to seize the moment, we had to relent and sign the agreement," she told the joint houses of Congress.

Mrs Aquino appeared to be referring to at least four coup attempts directed at her government during the 17 months of her presidential term. The signing of the debt accord took



Corason Aquino: "foreign creditors took advantage of internal differences"

place in New York a few days after the Philippine military held five officers for questioning in connection with an alleged coup plot.

"We cannot help but feel our foreign creditors took undue and unfair advantage of the internal differences we had with factions intent on subverting this government and destroying our democracy," Mrs Aquino said to sustained applause.

Bankers in Manila denied that there was ever any coercion to sign the agreement or that there was any threat to cut the country's \$2.9bn trade

credit line.

Mrs Aquino's attack on the banks appears to follow a last-minute hitch in the debt negotiations after Barclays Bank refused to sign the debt agreement in New York on July 17. Manila bankers said Barclays, supported by two US banks which did sign, refused because the Philippines Government had not fulfilled a promise made under Mr Marcos to adopt \$50m of debt owed to the banks by the fertilizer company Planters Products Inc.

The Manila bankers said Barclays demanded a guarantee signed by the Philippines Government and would not accept a letter from Mrs Aquino saying that it had not signed the Philippines rescheduling deal, because it was awaiting a "satisfactory resolution" to the Planters Products question.

A spokeswoman for the bank said the Philippines Government was aware of the circumstances under which the bank would sign the agreement, but declined to expand on them. However, the bank was making headway on the issue, she said.

Two important US lenders, Citibank and Manufacturers Hanover, both expressed concern prior to July 17 about the treatment of Planters Product debt, but went ahead and signed the agreement.

Nato tables fresh plan on conventional forces

BY JUDY DEMPSEY IN VIENNA

THE 16 MEMBERS of Nato yesterday presented a draft mandate in Vienna for new negotiations on the reduction of conventional forces in Europe.

It accepted by the Warsaw Pact, it will lead to the eventual phasing out of the deadlocked Mutual and Balanced Force Reduction (MBFR) talks, which have been taking place in the Austrian capital for the past 13 years.

The mandate on "conventional stability" seeks to eliminate military inequality in Europe and reduce the possibility of either side launching a surprise attack. Unlike the MBFR, the talks would take place within the overall framework of the Conference on Security and Co-operation in Europe (CSCE), thus taking account of French objections to bloc-on-bloc talks.

The mandate was presented at the meeting of the 23 member countries of Nato and the Warsaw Pact which have been meeting in Vienna since February to look at ways of giving a fresh impetus to the cutting of conventional forces in Europe.

The Soviet Union tabled its own draft mandate on June 22, but this was described by the Russians as only "talking points" rather than a definite proposal. It included, notably, a proposal that short-range nuclear weapons and some tactical aviation systems should also be covered by the negotiations, a suggestion firmly opposed by Nato.

Moscow's plan also envisaged the participation of all 35 CSCE signatories in the new conventional arms talks, while the Nato countries want the negotiations proper to take place only between themselves and the Warsaw Pact members. The participants would then report back periodically to the wider

CSCE forum, which includes neutral and non-aligned countries.

The four-page Nato draft, which, unlike its Soviet equivalent, is described as "a complete mandate," lays down three essential objectives for the proposed negotiations:

• The establishment of a stable and secure balance of conventional forces at lower levels;

• The elimination of disparities between Warsaw Pact and Nato conventional forces prejudicial to stability and security;

• The elimination, as a matter of priority, of the capability for launching a surprise attack and for initiating large-scale offensive action.

The elimination of inequalities in offensive weaponry would be achieved in several steps, subject to effective verification procedures, according to Nato officials.

EC proposes to cut farm prices in reform package

BY TIM DICKSON IN BRUSSELS

SWEEPING powers to cut guaranteed EC farm prices and limit Community purchases of unwanted foodstuffs will be proposed tomorrow by the European Commission.

The proposals are likely to alarm European farmers and arouse the suspicion of member states such as Britain, West Germany and France that Brussels is seeking an unwarranted extension of its authority.

The powers are part of the Community's drive to keep budget spending under control and to limit the spiralling costs of the Common Agricultural Policy.

The most controversial recommendation concerns cereals and involves the creation of a production ceiling, beyond which EC support would be curtailed.

Mr Frans Andriessen, the EC's Agricultural Commissioner, who drew up the detailed

proposals in secret, is believed to favour a limit of 155m tonnes, well below the 173m tonnes which Eurostat, the EC's statistical service, has been predicting for the Community's cereal harvest in the current year.

Other ideas cover most of the major product groups, including cereals, oilseeds, beef and wine.

The latest proposals, expected to be endorsed by Mr Andriessen's colleagues at a full meeting of the Commission in Brussels tomorrow, have largely been inspired by the concept of "automatic stabilisers" - a general term for measures automatically enforced when movements in world currency or agricultural markets threaten to increase spending above budgetary limits. This is why Brussels wants the new powers to be able to take quick remedial action when things go wrong.

Mr Andriessen will say tomorrow that CAP reform has achieved much since 1984 and that cumulatively the measures taken in the last three years will achieve Ecu 6bn (\$5.72bn) savings this year. But he will stress that more needs to be done, particularly in the cereals, beef and oilseed sectors.

Commission officials say that his latest ideas virtually amount to a new price package, although at this stage they have not yet been turned into formal proposals.

The intention for each sector, however, will be made clear. The Commission, for example, is expected to insist that in the oilseeds sector should be more severe than currently permitted if market conditions dictate, while the restrictions on re-planting in the table wine sector could be extended to quality wines.

Thousands protest in Sri Lanka over Tamil autonomy

By Maryvonne de Silva in Colombo and K. K. Sharma in New Delhi

RIOT POLICE were called out yesterday as thousands of Sinhalese demonstrators took to the streets of Sri Lanka to protest against the proposal to give the minority Tamil population semi-autonomous homeland in the island.

At the same time, Mr Rajiv Gandhi, Prime Minister of India, who has negotiated the deal, confirmed last night that he will fly to Colombo tomorrow to sign the agreement with President Junius Jayewardene in spite of objections by leading Tamil guerrilla leaders.

Mr Gandhi has been involved in a race against time to persuade the main Tamil group, the Tamil Tigers, to accept the peace proposals before tomorrow.

The main leader, Mr Velupillai Prabhakaran, who was flown out of the Tamil northern Sri Lanka stronghold of Jaffna by the Indian Air Force at the weekend, objects to two elements of the peace plan: the surrender of all Tamil arms by Friday and a referendum within a year in which the population of the eastern province could vote for a demerger from the north.

The key element is to give the Tamils their semi-autonomous homeland by merging the northern and eastern provinces, although the eastern province is only one-third Tamil. Mr Gandhi is leaning hard on the Tamils, who have been sustained by Indian support.

In Ampara in the eastern province, tear gas was used to disperse a crowd of about 2,000 Sinhalese protesters, including 300 Buddhist monks. Several people were injured.

President Jayewardene summoned a special session of the cabinet yesterday. Mr Ramesinghe Premadasa, the Prime Minister, is one of the sternest critics of India's role in the ethnic conflict. The peace plan was drawn up without his knowledge while he was out of Sri Lanka.

He opposed the plan yesterday, objected to making India a guarantor of the peace accord and argued against Mr Gandhi's visit to Colombo. But, in the end, the Cabinet agreed to leave the matter in the president's hands.

A sign of Indian difficulties in persuading Mr Prabhakaran to accept the plan was Mr Gandhi's hurried invitation to the Chief Minister of Tamil Nadu, Mr M. Rameswaram, the Tamil leader's chief patron, to join the talks in New Delhi.

CGE acquires control of Occidentale

BY PAUL BETTS IN PARIS

SIR JAMES Goldsmith, the Anglo-French financier, has sold most of his Ffr 1.5 bn (\$243m) stake in Generale Occidentale, the master company in his financial empire, to Compagnie Generale d'Electricite (CGE), the recently privatised French telecommunications and heavy engineering group.

CGE, which has been a key shareholder of Generale Occidentale for the past eight years, will now become the single largest shareholder.

Mrs Gilberte Beaux, managing director of Generale Occidentale, said yesterday that Sir James would continue as chairman although his shareholding will fall to under 5 per cent.

The view in Paris yesterday was that Sir James's move was an initial step in a new series of financial manoeuvres.

The CGE involvement was being interpreted as the latest chapter in the battle for control of major French publishing and media groups.

CGE indicated yesterday that the deal was part of the company's efforts to develop its presence in service industries.

The deal represents a new episode in the complex power struggle for control of France's major publishing, broadcasting and media groups which has intensified with the approach of next year's presidential elections and the deregulation of the French broadcasting industry.

The main French assets of Generale Occidentale are in publishing, including control of Presses de la Cite and the Express magazine group which Sir James has headed for the past ten years.

The company's other assets are in the US - the Grand Union supermarket group, the Diamond International timber business and the Basic Resources International (Bahamas) oil concern.

Generale Occidentale had sales of Ffr 18.9 bn last year and reported net income, excluding minority interests, of Ffr 482 m, compared with net earnings of Ffr 382 m previously.

The CGE deal involves Sir James selling his outstanding 51 per cent stake in Trocadero Participations, the financial holding which owns 34 per cent of Generale. Through Alpelec, a financial company owned jointly with Credit Lyonnais and UAP, the French insurance group, CGE has been a long-term 49 per cent shareholder in Trocadero.



Sir James Goldsmith: sold stake for Ffr 1.5bn

As a result, CGE has played a major role in the takeover of Generale Occidentale. Alpelec has six members on the board of Trocadero, compared with five representatives for Sir James. CGE members include Mr Ambroise Roux, the former CGE chairman, and Mr Pierre Suard, the current chairman.

CGE is expected to pay about Ffr 1.5 bn for Sir James's 51 per cent stake in Trocadero, although the value was not being disclosed.

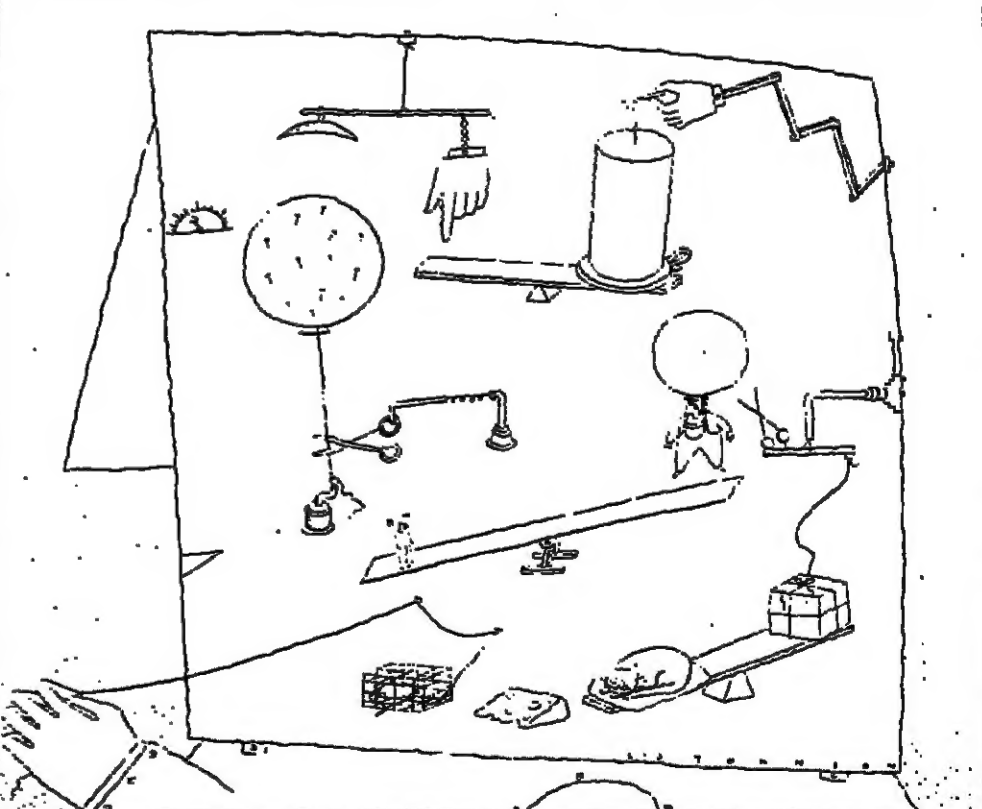
This is based on a current overall market capitalisation for Generale Occidentale of about Ffr 9 bn. CGE will have a direct stake of around 25 per cent in Generale Occidentale since Credit Lyonnais and UAP will retain their minority interests in Alpelec.

CGE, which normally seeks to have at least 51 per cent control of companies under its orbit (including the recent telecommunications joint venture with ITT), has felt on this occasion comfortable in controlling the Goldsmith company with a minority shareholding.

With Presses de la Cite, for which Sir James beat Mr Carlo de Benedetti for control in a heated takeover battle last year, and L'Express, Generale Occidentale has become one of the leading publishing groups in France. Sir James had also sought but failed to gain control of the France's fifth TV Channel.

Although Sir James has indicated he plans to continue seeking to build a multi-media European publishing and media empire.

Continued on Page 20



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top hundred in the world. It is a public law credit institution owned by the Federal State of Lower Saxony and the Lower Saxonian Savings Banks. These owners guarantee all liabilities of the bank on a joint and several basis. Norddeutsche Landesbank is a world-wide bank participating fully in all sectors of the domestic and international banking field. Our total group assets in 1986 came to 96.51

billion DM. With our branch in London and the subsidiary in Luxembourg we have two operating bases that enable us to look after business interests right on the spot.

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GIRZENTRALE

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JUDGMENT

DAY FOR

THE US

ATTORNEY

GENERAL

Edwin Meese has made many political enemies who will watch his testimony to the Iran-Contra hearings closely. Page 20

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EUROPEAN NEWS

Soviet warning to West over Rust escapade

BY PATRICK COCKBURN IN MOSCOW

THE WEST should not judge the competence of the Soviet armed forces by the failure of the country's air defence to stop Mr. Mikhail Rust, the young West German pilot, landing his aircraft in Red Square, General Dmitri Yazov, the Soviet Defence Minister, warned yesterday.

"It would like to say directly that we would not recommend anyone to try to test our strength," Gen. Yazov said yesterday in the Communist party newspaper, Pravda. He was appointed Defence Minister as a result of Mr. Rust's flight in May.

The article, the first by Gen. Yazov since his appointment, is notable for its endorsement of the Soviet military doctrine advocated by Mr. Mikhail Gorbachev that the Soviet Union need not expand its armaments above a level of "reasonable sufficiency" required for defence. This in turn implies that defence will receive a lower priority in the allocation of economic resources in coming years.

In an influential article, also in Pravda earlier this month, Dr. Yevgeny Primakov, a senior advisor on foreign policy to Mr. Gorbachev, wrote that political rather than military methods of guaranteeing Soviet security were now coming to the fore.

"On a number of occasions in the past," he continued, "we accepted the 'rules of the game' imposed on us which consisted in making symmetrical responses to US moves in the arms race. It may be assumed that the US thereby deliberately intended to exhaust us economically."

Dr. Primakov argued that the doctrine of "reasonable sufficiency" meant that the Soviet economy would no longer be put under such strain as it was in the past through trying to match new American weapons.

Although the input of the armed forces into the security policy diminished after Mr. Gorbachev became leader in 1985, it is only since Gen. Yazov replaced Marshal Sergei Sokolov



Gen. Yazov: 'Do not try to test our strength'

as a result of Mr. Rust's flight, that the diminished role of the military has been spelled out publicly.

Over the past two months the competence of the armed forces has also been heavily criticised by senior leaders. At a meeting of Moscow military district in June, Mr. Boris Yelstin, the Communist party leader in the capital and a non-voting member of the politburo, said that Mr. Gorbachev's restructuring had had no impact on officers charged with defence of the capital.

Mr. Yelstin accused them of "favouritism, nepotism, individualism and secrecy." Repetition of the same meeting, the armed forces daily newspaper, Krasnaya Zvezda, named two air force generals and one colonel in Moscow military district who "convincingly showed how rudeness, boorishness and intimidation lead to the loss of party qualities, social distortions and moral disease."

These are not terms in which senior Soviet officers are accustomed to read about themselves in their own newspaper, particularly as it goes on to describe some officers as "toddies, bootlickers, sycophants and window dressers."

Call for deployment of French missile

FRANCE should station tactical neutron weapons in West Germany to strengthen the defence of both countries against the Soviet bloc, two former French defence ministers said yesterday, Reuters reports from Berlin.

Mr. Charles Hernu, defence minister in President François Mitterrand's former Socialist government, told a West Berlin newspaper that security would be best served by deploying France's land-based tactical missiles on West German soil.

France has 44 pluton tactical missiles with a range of 130 km. It is planning to replace the 13-year-old system with the more sophisticated Hades series, currently under development, which will be able to reach targets up to 350 km away and could carry neutron warheads.

An agreement with the West German government over the introduction of these weapons will be the biggest task of the next French president, Mr. Hernu said.

His views were echoed in a parallel interview by Mr. Pierre Messmer, a leading figure in Prime Minister Jacques Chirac's party.

Neutron weapons are reduced-blast nuclear explosives which can kill people by heavy radiation while leaving buildings and equipment intact.

Bonn's opposition Social Democrats, responding immediately to the French suggestion, said they were firmly opposed to neutron weapons and would resist having a West German finger on any nuclear trigger.

Mr. Philippe Seguin, the Social Affairs Minister, said the June figure was good, and that subject to a possible deterioration in July and August, the last three months of 1987 would also be good.

He hoped for "a stabilisation of a lasting nature" and was now certain the Government would reach its objectives on unemployment. Mr. Seguin recently set himself the limited goal of lower unemployment next March (the time of the presidential elections) than last March.

Over the past 12 months, however, unemployment has risen by 4.8 per cent, to 2.45m, excluding seasonal adjustments.

The state statistical organisation, Insee, in its recent economic forecasts, predicted an increase of 110,000 over the last three months of 1987 in the number of people looking for work. This would bring unemployment close to 2.7m, or 11.1 per cent of the active population.

The improvement in the unemployment statistics has affected mostly younger job-seekers, who have been moved into the main job creation schemes set up by Mr. Seguin after the right-wing government of Mr. Jacques Chirac came to power in March 1986.

The competition for Irish newspapers comes from across the water, Hugh Carnegie reports
Ireland faces up to tabloid invasion

BY CONVENTION, national newspaper industries are strongly import resistant; but not so in the Republic of Ireland. Walk into any newsagent in Dublin and you will find more British titles on sale than Irish.

Most, especially the broadsheet papers such as The Times, the Daily Telegraph and the Guardian, sell only a fraction of the copies sold by the nationally-circulated Irish dailies, the Irish Independent, the Irish Times, the Irish Press and the Cork Examiner, all broadsheets.

But for some years the British tabloid dailies have been helping themselves to a big slice of the Irish market, with little sign of a challenge. Now there are moves afoot locally, if not to stem the invasion, then at least to win a share of the spoils.

Earlier this month Independent Newspapers plc, publishers of the Irish Independent and the Sunday Independent, and the Dublin Evening Herald, announced a deal with Express Newspapers in London whereby all copies of the Daily Express, Sunday Express and Daily Star circulated in both Northern

Ireland and the Republic would be printed in Dublin.

In addition, the two companies are planning to produce an Irish edition of the Star through co-operation with the Sunday World, a successful tabloid published by the Independent group.

The idea is to capture the bulk of the local daily market for tabloids with an identifiably Irish product. At present the British papers make little effort to give their papers sold in Ireland an Irish flavour, relying on common language and broadly similar interests in television, show business and sport for their attraction. All are at present produced and printed in Britain and carry British advertising.

The biggest selling British paper in the Republic (population 3.5m) is the Daily Mirror, the tabloid flagship of Mr. Robert Maxwell's Mirror Group Newspapers. Helped by its local editorial input, it sells about 65,000 copies daily in the Republic, followed by the Daily Star with about 40,000 and Mr. Rupert Murdoch's Sun with around 20,000.

These figures are more than doubled when Northern Ireland

AIRC FIGURES FOR IRISH DAILY

NEWSPAPERS JULY-DEC 1986	(Republic and Northern Ireland)
Irish Times	94,417
Cork Examiner	59,443
Irish Independent	152,137
Evening Herald	105,594
Irish Press	78,954
Evening Press	125,086

ESTIMATED BRITISH TABLOID

SALES IN REPUBLIC OF IRELAND	(Publishers' and analysts' figures)
Daily Mirror	48,000
Daily Star	40,000
Sun	20,000
Daily Express	5,000
Daily Mail	4,500

sales are added. They compare with combined sales north and south for the four big Irish dailies of 375,000 (the total population of the island is approximately 5m).

This is not the first attempt by the troubled Irish industry to mop up some of the market. Last year, a move was proposed whereby Mr. Murdoch's News International titles, including the Sun and the News of the World, would be printed for

Irish circulation by the Irish Press group, but this was halted by trade union objections.

Agreement would have been a welcome boost to the Press group, which has only just limped back into profit after several years of losses. Circulation of its three papers, the Irish Press, Sunday Press and the Dublin Evening Press, has fallen sharply during the 1980s, a launch of free-sheets in Dublin flopped and there have been industrial relations problems over new technology, including a long strike in 1985.

The Irish Press has now turned for help to experts from the London tabloid world, notably Sir Larry Lamb, former editor of the Sun. A change to tabloid format may be resisted but a move downmarket and to the right seems to be on the cards.

All the Irish papers, except the Cork Examiner, have suffered, like their British counterparts, from slow moves into more cost-efficient technology (the Independent has yet to replace its hot-metal presses in Dublin). We're much smaller total output than British papers, unit costs are higher. In addition, 10 per cent VAT on newspapers

and other high costs associated with Ireland's depressed, high-tax economy have pushed up cover prices to the point where the Irish papers are more expensive not just than the British tabloids but than the British broadsheets as well.

The Irish Times, at 55 Irish pence, compares with 40 Irish pence for the London Times. The Irish Independent and the Irish Press cost 50 Irish pence and 45 Irish pence respectively while the British tabloids sell for 30 Irish pence.

On the advertising side, Irish newspapers struggle to maintain their share against what they regard as unfair competition from the monopoly state broadcasting outlet RTE, with the two television channels and two radio stations, and a range of popular pirate radio stations.

Faced with these odds, the industry has turned to co-operation rather than head-on competition with the British. The favoured way to get a share of the market, Mr. John Meagher, managing director of Independent Newspapers, said after the deal with Express Newspapers: "We're much smaller total output but we've got to take the view that it's a commercial reality."

Fewer out of work in France

By George Graham in Paris

UNEMPLOYMENT dropped by 0.6 per cent in France last month to 2.45m after seasonal adjustments, the Ministry of Social Affairs announced yesterday. This reduced the rate to 11 per cent, its level at the beginning of the year, after three months at 11.1 per cent.

Mr. Philippe Seguin, the Social Affairs Minister, said the June figure was good, and that subject to a possible deterioration in July and August, the last three months of 1987 would also be good.

He hoped for "a stabilisation of a lasting nature" and was now certain the Government would reach its objectives on unemployment. Mr. Seguin recently set himself the limited goal of lower unemployment next March (the time of the presidential elections) than last March.

Over the past 12 months, however, unemployment has risen by 4.8 per cent, to 2.45m, excluding seasonal adjustments.

The state statistical organisation, Insee, in its recent economic forecasts, predicted an increase of 110,000 over the last three months of 1987 in the number of people looking for work. This would bring unemployment close to 2.7m, or 11.1 per cent of the active population.

The improvement in the unemployment statistics has affected mostly younger job-seekers, who have been moved into the main job creation schemes set up by Mr. Seguin after the right-wing government of Mr. Jacques Chirac came to power in March 1986.

REPORTS PRAISES STABILISATION PROGRAMME
OECD urges further restraint on Greece

BY ROBERT MAUTHNER

GREECE HAS made "very encouraging" progress towards restoring its economy since the introduction of the 1985 stabilisation programme, but restrictive policies would have to be maintained after it expires at the end of this year for lasting results to be achieved, according to the Organisation for Economic Co-operation and Development.

In its latest survey of the Greek economy, the OECD says "visible underlying macroeconomic imbalances would remain after the end of the programme. The degree and duration of restraint required subsequently would depend on the progress made in removing structural and institutional obstacles to a shift of resources from public and private

consumption to investment and competitive sectors.

On the positive side, the report notes that the Government has broadly adhered to its stabilisation programme, in spite of union opposition. Last year, the current account deficit fell to \$1.7bn from \$3.3bn in 1985 and is estimated to have been reduced to 4 per cent of GNP in the first four months of 1987, only 1 percentage point above the end-of-year target in the stabilisation programme. It could well be down to 3 per cent by the end of the year.

The inflation rate, excluding the mechanical effects of the switch to VAT, has been cut to 15 per cent from 25 per cent at the end of 1985, says the report, and is likely to be 12 per cent at the year's end, still

2 percentage points above target.

The public sector borrowing requirement, which the Government is trying to reduce from 18 per cent of GNP in 1985 to 10 per cent at the end of this year, has dropped to around 12 per cent in the first four months and the year-end outturn is likely to be 11 per cent.

The report stresses, however, that without major reforms, notably on the revenue side, it will be difficult to lower PSBR to a manageable level. The most effective and most desirable way of strengthening public finance would be through a widening of the income tax base by ending "the privileged status of certain income groups" and particularly by

drastically reducing tax evasion.

The OECD also warns that, beyond the current year, income policy can no longer be expected to bear the brunt of adjustment policies. The authorities have already announced a relaxation of present income norms and policy therefore must be switched to other instruments of restraint and to supply-side measures.

The organisation is particularly critical of the official stance to support that has been given to loss-making private companies and points out that delays in closing non-viable companies and restructuring potentially competitive ones has diverted resources away from enterprises with a sound basis for expansion.

Belgium could prosecute over UK ferry disaster

BY WILLIAM DAWKINS IN BRUSSELS

THOSE HELD responsible for the capsizing of the Townsend Thoresen ferry Herald of Free Enterprise in April could still be prosecuted under Belgian law, Mr. Herman de Croo, the Belgian Minister of Consumer Protection and External Trade, warned yesterday.

He voiced astonishment that the recently completed British inquiry into the disaster, which 188 died, had not led to judicial proceedings against the staff involved. Speaking in a United Nations meeting in Geneva, Mr. de Croo said that there could be circumstances in which anybody charged could be legally obliged to appear before a tribunal in Belgium.

Whether legal action can be taken in Belgium will be up to the examining magistrates in Bruges, near the scene of the disaster, who will decide after they have completed their own inquiry, possibly by the early autumn.

Government officials yesterday emphasised that while the Bruges magistrates were independent, the Belgian inquiry was under the ultimate aegis of the Ministry of Justice. There was no indication yet which way the decision would go, but the local courts theoretically had the right to prosecute any member of the ship's crew or the company owning it, Townsend Thoresen, on the grounds that the accident took place in Belgian territorial waters.

Judy Dempsey talks to Abel Aganbegyan, disciple of radical change and right-hand man of Mikhail Gorbachev
Long years in Siberia pay off for Soviet economic reformer

IN JUNE 1965, a young economist travelled to Moscow to meet some friends. It was no ordinary meeting. His friends consisted of journalists and other intellectuals who had gathered to the private discussion on the state of the Soviet economy.

The 33-year-old economist dominated the meeting. He talked about the present situation of the economy, about the need to change its management, as well as the need to change old habits. From all accounts, the discussion was lively and engaging.

The views of this economist were later published in the journal Mysl—the Russian for thought. In the meantime, this young Armenian, easily identifiable by his jet black hair and heavy build, returned to the Novosibirsk Institute in Siberia where he refined his ideas until the early 1980s. That was when he met Mr. Mikhail Gorbachev who promptly made him one of his right-hand men for promoting radical changes in the Soviet economy. Today, Abel Aganbegyan is a household name among the country's economists, reformers and anyone closely connected with perestroika and glasnost.

It seems a long time for anyone to wait for official support for such radical ideas. But Mr. Aganbegyan was lucky. At the Novosibirsk Institute, which was set up in 1955, he was surrounded by very talented economists, including Tatiana Zaslavskaya. It was she who, in 1983, wrote a trenchant but devastating analysis on the state of the Soviet economy in which she argued that the basic structures, as well as the assumptions about the organisation of the economy would have to be radically changed.

What did Mr. Gorbachev think of that paper? "I did not know his reaction," says Mr. Aganbegyan. "But he didn't stop the discussions. In fact, he took a keen interest in Zaslavskaya's work as well as the work of the institute."

So did Igor Ligachev, the number two who is now responsible for the party organisation. Mr. Aganbegyan got to know him very well far back as the early 1960s when Mr. Ligachev was party secretary for the Novosibirsk area and later when he was in Tomsk. One can only conclude that it was a very useful connection for him to have.

Mr. Gorbachev had earlier taken an interest in Mr. Aganbegyan's own ideas when he was Agriculture Secretary from 1978-83, a difficult post for any aspiring politician, particularly since agriculture was, and continues to be, one of the more obvious failings of the economy. But Mr. Gorbachev weathered all the storms "that was when I met him," says Mr. Aganbegyan adding that Mr. Gorbachev always sought out experts, economists and individuals to throw up new ideas. "That was the time when our relationship became closer."

It seemed almost inevitable. Both men had come to the conclusion that unless some radical measures were taken, the economy would decline further. "We decided we could not continue with the old type of life," says Mr. Aganbegyan who recalls the economy's rapid decline during the 1970s, a decline which pushed Mr. Gorbachev to adopt radical measures, culminating in the June central committee plenum.

"We had negative tendencies, stagnation was setting in. We

were approaching a crisis. That's why we had to do something. Our life pushed us to restructuring. Not to do anything would have been too risky."

The plenum achieved two things. It put the seal of approval on Mr. Gorbachev's reform and it clearly spelt out what

changed. Instead of administering the enterprises, Gosplan will become a supervisor, which means that the enterprises will have more say in their own management.

The State Committee for Prices will also undergo major changes. The state will con-

straints on those who want to push through the tough, radical reforms. He knows too, that opposition to the new ways of thinking comes from many different quarters.

kind of reforms would be introduced over the next five years. In a nutshell, the reforms will give greater freedom to state enterprises which will have the right to greater financial and managerial independence from early next year.

The role of Gosplan, the state planning committee whose main task in the past was to work out overall economic inputs and outputs, will be

time to control basic things such as food and energy, but prices will be higher. Mr. Gorbachev believes in trying to balance supply and demand.

The old taboos on preventing income differentials have fallen by the wayside. Differentials between skilled and unskilled workers will be increased, with the aim of providing incentives for higher productivity and better quality work. The role

of profits and loans will play a much greater role, with the state playing a lesser one. The idea is that emphasis should be placed on the market where supply and demand will matter more.

In the meantime, limited private and co-operative enter-

prises will be introduced, mainly in the agricultural and services sector. In a word, the role of the state in the day-to-day running of the economy will be reduced, a decision which no doubt Mr. Aganbegyan wholly supports.

The reforms, however, will not have a very smooth ride. Now that Mr. Aganbegyan is a very close adviser to Mr. Gorbachev, he can quickly identify

the constraints on those who want to push through the tough, radical reforms. He knows too, that opposition to the new ways of thinking comes from several quarters.

"The real problem is overcoming inertia and old habits. That is why it is so necessary to convince people, to teach them, to change their psychology. He should know. One of his hobbies is visiting factories. He has probably seen more than enough in the Soviet Union to convince him of the urgency of change."

On this point, he plus great hopes on the mass media as a means of institutionalising the new thinking. But even that will not be enough. Interest groups, he says, are deeply entrenched in society. "The problem is that while each group supports the idea of reform as a whole, each group resists those reforms which threaten its own interests."

Mr. Aganbegyan has no qualms in pointing the finger at sections of the party apparatus and administration. He is just as critical of the top managers in the enterprises and on the collective farms. He describes them as yesterday's men, who are afraid of self-management, afraid of responsibility, and afraid of being voted out of their jobs by the workers. "They prefer working under conditions of orders, of instructions."

Sections from among the blue and white collar workers also come under attack. "They have been paid a lot of money in the past for doing very little. But now, they have to work harder for the same money and will lose some of their privileges."

Then there are those he refers to as "the anti-Soviet elements"—alcoholics, spec-



Now that Mr. Aganbegyan (right) is a very close adviser to Mr. Gorbachev he can quickly identify the constraints on those who want to push through the tough radical reforms. He knows, too, that opposition to the new ways of thinking comes from many different quarters.

responsibility be fostered without middle class elites and the liberal-minded professional groups which Stalin virtually destroyed? How can people believe in the feasibility and permanence of perestroika and glasnost?

Mr. Aganbegyan is untroubled by such arguments. "If you want to have serious change, you have to analyse the past critically. We have already done this. True, the old guard around Brezhnev and the preceding eras have been scrutinised and many party cadres have been replaced. Is that still enough to convince people? We have to put all our eggs into the democratisation basket," he says. "People have to be given a stake in the reforms."

And instead of quoting Marx, Engels or Lenin, names which didn't once crop up in the conversation, he quoted Mr. Gorbachev: "We have no way to retreat. We must go forward."

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and as members of the Board of Directors: F. Barlow, R.A.F. McClean, G.T.S. Dunne, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurt-Verlagsgesellschaft, Frankfurt/Main. Responsible Editor: Günther Heide. Subscriptions: 54,000 Frankfurt am Main 1. Tel: 069-2121-1. FAX: 069-2121-2. The Financial Times, Ltd. 1987. FINANCIAL TIMES, ISSN: No. 1098-940, published daily except Sundays and holidays. U.S. subscription rates: \$285.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 57th Street, New York, N.Y. 10022.

US operation in Gulf grinds to halt

By Andrew Whitley in Dubai

THE US tanker escort operation in the Gulf has gone into slow motion, as the US Defence Department wrestles with the tricky problem of Iranian mines being discovered, in worrying numbers, in deep-water shipping channels.

The Kuwait Oil Tanker Company, owner of the 401,000-tonne Bridgeton, holed by a mine last Friday, was still awaiting permission yesterday from the US coastguard and the American Bureau of Shipping to start loading crude oil at an offshore terminal in Kuwaiti waters.

Certification by the ABS is required because the 10-year-old supertanker is now registered in the US under the terms of Kuwait's arrangement whereby part of its tanker fleet now flies the US flag.

The more critical decision as to whether the naval escorts for the tankers can resume in the near future also appears to be up in the air, pending a definitive solution to the mine problem. Unlike previous forms of attacks on Gulf shipping attributed to Tehran, no incontrovertible proof exists that the mines were laid by Iran. Any retaliation by the US, would be hard to justify.

Iran said yesterday it would attack tankers or oil installations of Iraq's allies, if Iraq were to attack Iranian shipping or offshore oil facilities.

Mr Hashemi Rafsanjani, Speaker of the Iranian parli-

ment, when asked to explain Iran's "new policy of retaliation," said Tehran had abandoned the "principle of not attacking the installations of Iraq's partners."

"If it hits oil tankers, we will also retaliate against tankers," Mr Rafsanjani told the state-run Tehran radio. "If it hits oil terminals and oil wells, we will retaliate in the same way."

Kuwaiti officials indicated privately yesterday that a sailing date for the Bridgeton and the Gas Prince, the tanker that accompanied it under escort along the Gulf, is likely to be determined by the US Navy, although the two ships are Kuwaiti-owned and are carrying Kuwaiti oil and gas.

On present indications, no move is likely before the end of the week.

Unlike most tanker operators travelling to and from Kuwait, KOTC has not taken out war-risk insurance on its own vessels for the past three years. This policy was maintained when the Bridgeton and the Gas Prince were registered in the US.

The state-owned company thus faces a repair bill of \$1.7m to \$2m for the Bridgeton, according to shipping experts in Dubai. If KOTC had taken out additional insurance in London, the premium would have been about \$300,000 for each 15-day period in the Gulf—equivalent to \$2.8m in a full year.

Israeli raid on Lebanese coast kills militiamen

By Nora Bouariy in Beirut

ISRAELI commandos killed seven Sunni Moslem Lebanese militiamen, mistaken for Palestinian guerrillas, late on Sunday, security officials said in the Lebanese port of Sidon. This was the first sea-borne Israeli attack on Lebanon since Israel invaded in 1983.

Fighters of the Nasserite Popular Liberation Army clashed with Israeli soldiers who had landed from boats on a coastal road south of Sidon and crouched behind mounds of sand. Seven of the Lebanese militiamen were killed and four others wounded. There were no Israeli casualties, according to reports from Tel Aviv.

As the first P.L.A. jeep made a u-turn in an empty lot by the sand piles, Israeli commandos fired two anti-tank missiles at it, triggering a 15-minute battle.

The stretch of shore is casually patrolled by Palestinian guerrillas, based half a mile from the seaford, but it is now being policed by Lebanese Sunni militiamen, led by Mustafa Saad, who is considered sympathetic to the Palestinian leaders but no longer allied with them.

Israeli helicopter gunships dropped orange flares as the Lebanese commandos withdrew towards the shore and departed.

There was no immediate explanation for the Israeli attack.

Hebrew lettering on spent cartridge cases, bullets and two rocket cases gave away the identity of the attackers, according to reports on official Beirut radio. Blood splattered the highway and wet sand along the beach showed footprints.

One of the surviving Lebanese militiamen told reporters in hospital that his jeep had been set ablaze by rockets and machine-gun fire.

Palestinian guerrillas stopped patrolling the seaford and adjacent orange groves 10 days ago, following bloody battles with the Shi'a Muslim Amal militia. About 80,000 Palestinians reside in the Ain al Helweh and Mich Mich camps. The killings, if intended for Palestinians, would have set off a fresh round of Amal-Palestinian violence.

Andrew Whitley looks back nine years at an Iranian defence of the Strait of Hormuz

Gulf peace-keeping role changes hands



Er-Shah of Iran: self-appointed defender

IRAN'S depleted air and naval forces stood by and watched impotently, as the US Navy-escorted convoy sailed up the Gulf, in defiance of Tehran's dire warnings to send the Yankees to a watery graveyard.

As the convoy went by unchallenged last week—until the refueled super tanker Bridgeton hit a mine on Friday that is—some of Iran's longer-serving pilots and seamen at Bandar Abbas, the main air and naval base on the Gulf coast, could be forgiven if they experienced a mental time-warp, taking them back to nine years earlier.

In the summer of 1978, they had similarly been ordered to assemble at their seven bases, ready to launch a combined forces operation to defend the Straits of Hormuz. Hostile forces—said to be either Iraqi or pro-Iraqi—were reported to have captured the island of Larak, a strategically-placed lump in the throat of the

narrows waterway, and the Iranians had to retake it.

Aboard the Commander-in-Chief's newly-delivered French missile boat, I watched the operation unfold. As Phantoms screamed low over Larak dropping their payloads on to the supposed enemy forces, napalm flames soared repeatedly into the sky. Amphibious landing craft pushed ashore, disgorging waves of marines, while standing offshore a ring of destroyers and frigates used their big guns to lay on covering fire.

By nightfall, the operation was declared a success and the exercise brought to a close.

Downstairs, in the tossing boat's wardroom, the Commander's seacock couriers were much relieved. Overshadowed by revolutionary storms then gathering strength across Iran, it had been an impressive show of force—the largest the Gulf had seen in modern times until this week.

The man on the bridge of the La Combattante II missile boat

tion in the Gulf. It was one of his last normal public appearances before being fatally besieged in his palace by the tide of unrest.

Within nine months he was to flee the country ignominiously, to die in exile, while the rag-bag of revolutionary forces spearheaded by Ayatollah Ruhollah Khomeini was to take the seat he had occupied for 37 years.

It is one of the less remarked-upon aspects of Operation Earnest Will, the unapplied US escort operation in the Gulf, that it would almost certainly not have been necessary if the Shah had still been in power. The risks of war with the old enemy, Iraq, were frequently in the Shah's mind; he took his role of defending the West's jugular vein—it was the stiff-necked Iranian monarch who invented the phrase—very seriously.

To some eyes, the tanker escort operation looks like the first sign of a putative Pax Americana.

Iran is now one of the Iranian Revolutionary Guards' improvised naval bases. From there they speed out in their small motor boats to challenge shipping entering the narrow, 24-mile wide waterway controlling access to the Gulf's immense oil reserves.

But now it is the US which, claiming to be defending freedom of navigation against its former surrogate, while Iran is cast in the villain's role.

The Pax Iranica which briefly replaced the Pax Britannica in the Gulf has gone—its downfall brought about, at least in part, by the way in which the West for years stuffed the Iranian arms stocking, encouraging the Shah in his ambitions. No force has proved sufficiently strong, or sufficiently willing, to take Iran's place in the subsequent eight years until now.

To some eyes, the tanker escort operation looks like the first sign of a putative Pax Americana.

OAU may reject call for moratorium on debt service

By Andrew Buckoke in Addis Ababa

THE ORGANISATION of African Unity appears likely to resist pressure from some of its members for a moratorium on servicing the continent's \$300bn external debt, and to recommend instead a limit on annual service payments set at 20 per cent of export earnings.

The final draft of the resolution on external debt to be submitted to the heads of state meeting here at the annual summit that began yesterday,

avoids reference to the moratorium sought by a group of heavily-indebted members. It says only that the OAU "feels debt service payments for African countries should not exceed 20 per cent of export earnings."

The communiqué urges further efforts to convene an international conference on Africa's debt, first proposed at the OAU summit two years ago, and to co-ordinate African countries' approach to

rescheduling at the London and Paris clubs of the creditors.

However, the resolution is likely to be a disappointment to such countries as Zambia, which recently severed links with the IMF and the World Bank, and Sudan, whose \$15bn external debt would take more than 300 per cent of export earnings to be fully serviced.

Sudan has unilaterally limited debt payments to 10-15 per cent of annual export earnings since

June 1986.

More prosperous states, such as Kenya and most of the francophone countries, have argued for a vague resolution because of their desire to maintain inflows of new funds by keeping in the IMF and World Bank's good books.

According to Dr Adebayo Adedeji, chairman of the UN Economic Commission for Africa, in a speech to OAU foreign ministers here last

week, developing Africa's export earnings fell from \$60bn to \$44bn in 1986. In the absence of significant new assistance from the international community, this made policy reforms or adjustment programmes impossible for many of them, even when they included the sort of economic liberalisation measures approved by the IMF or the World Bank.

Demjanjuk insists he was never at Treblinka

By Our Jerusalem Correspondent

MR JOHN DEMJANJUK, who is accused of war crimes, testified yesterday for the first time in a packed Jerusalem court, as the defence began to present its case.

Denying he was the sadistic Nazi guard at the Treblinka death camp, known as Ivan the Terrible, Mr Demjanjuk told the court: "I was never in Treblinka. Sobibor, Trawniki or any such place."

In his opening statement, Mr Yoram Sheffer, the new lead

defence counsel said there were 29 survivors of the death camp who were unable to identify the accused, some of whom would be able to testify on behalf of the defence. This compares with only five witnesses who had been able to identify him, the lawyer said.

The defence counsel also said he had evidence that Mr Demjanjuk had been extradited to Israel from the US on the basis of improper identification procedures.

Lange launches poll campaign

By Dai Hayward in Wellington

MR DAVID LANGE, the New Zealand Prime Minister, launched his party's general election campaign yesterday with an appeal to voters to "have the guts to stick with the Labour Government" although the tough times of its economic restructuring are not yet over.

Mr Lange stressed the need for more time for the government to complete its economic reforms and produce the promised benefits. He appealed to New Zealanders' sporting instincts, urging them to emu-

late the national rugby teams which won demanding matches against Australia during the past four days.

His televised meeting, with a packed audience in Christchurch town hall, will be the Prime Minister's only mass meeting in the three-week election campaign.

By contrast, the leader of the Opposition, Mr Jim Bolger, plans a series of nightly mass meetings around the country. He launched his campaign at the same venue on Sunday

Mr Bolger's campaign launch was in sharp contrast to that of the Prime Minister's. The audience of invited National Party members wore blue paper hats, waved flags and banners and streamers and balloons cascaded from the ceiling.

Mr Bolger devoted most of his time to attacking the Prime Minister's credibility and Labour's policies.

He promised to take New Zealand back into the Annus defence treaty with Australia and the US.

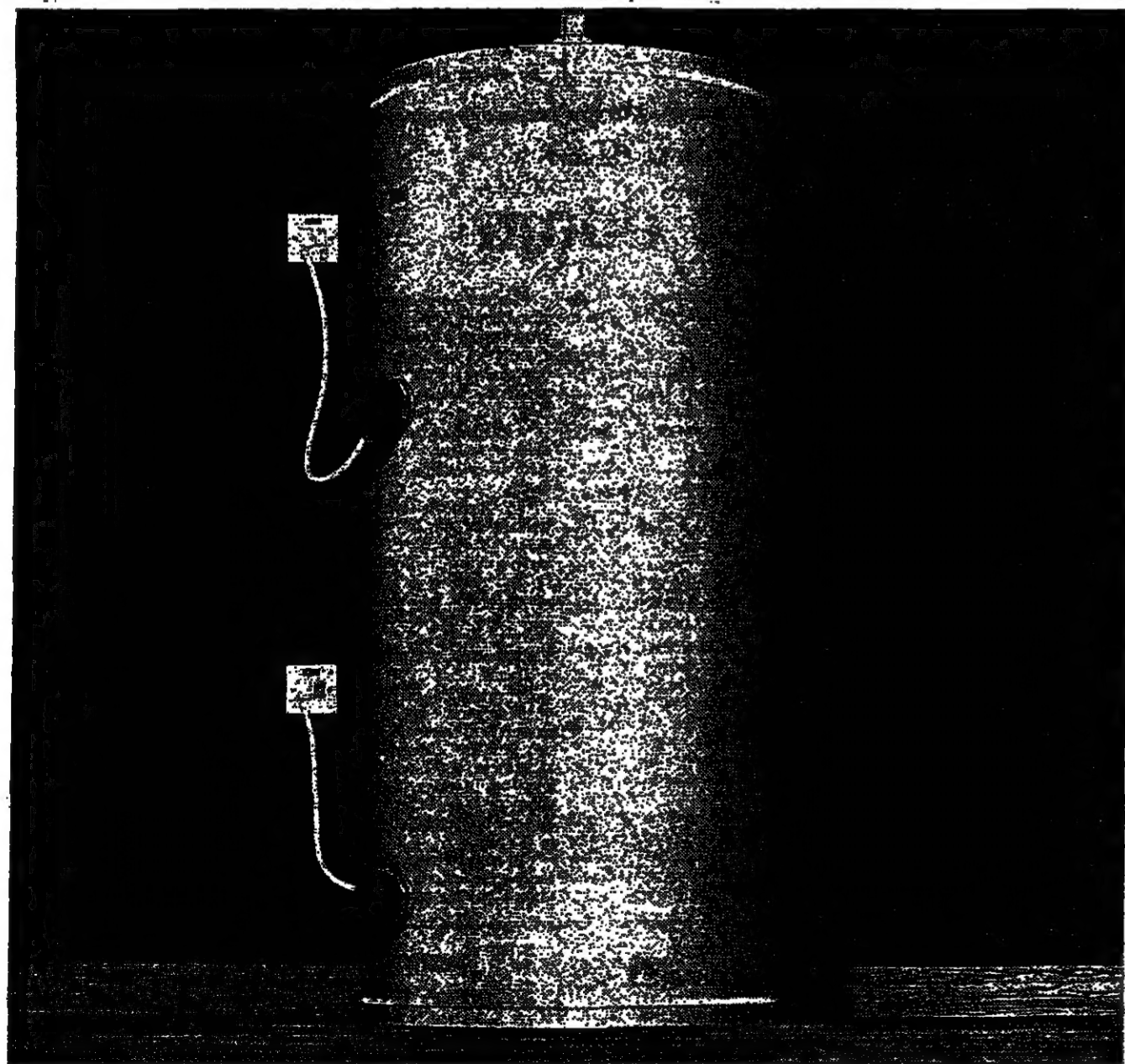
S African Conservatives seek debate on ANC talks

By Anthony Robinson in Johannesburg

SOUTH AFRICA'S right-wing Conservative Party opposition has called for a snap parliamentary debate today on the controversial meeting of the African National Congress (ANC) and 80 Afrikaners in Dakar two weeks ago.

The meeting, organised by the Institute for a Democratic Alternative in South Africa, has raised right-wing hackles. It has been followed by the assassination of an Idasa organiser and

death threats against participants and their families. Mr Mntonga's body was found in the back of a car in the homeland of Ciskei, with his hands tied behind his back and a single stab wound under his arm. He had been an organiser for the South African Allied Workers Union and the United Democratic Front, and was well known in the eastern Cape, an area with a long history of political militancy.



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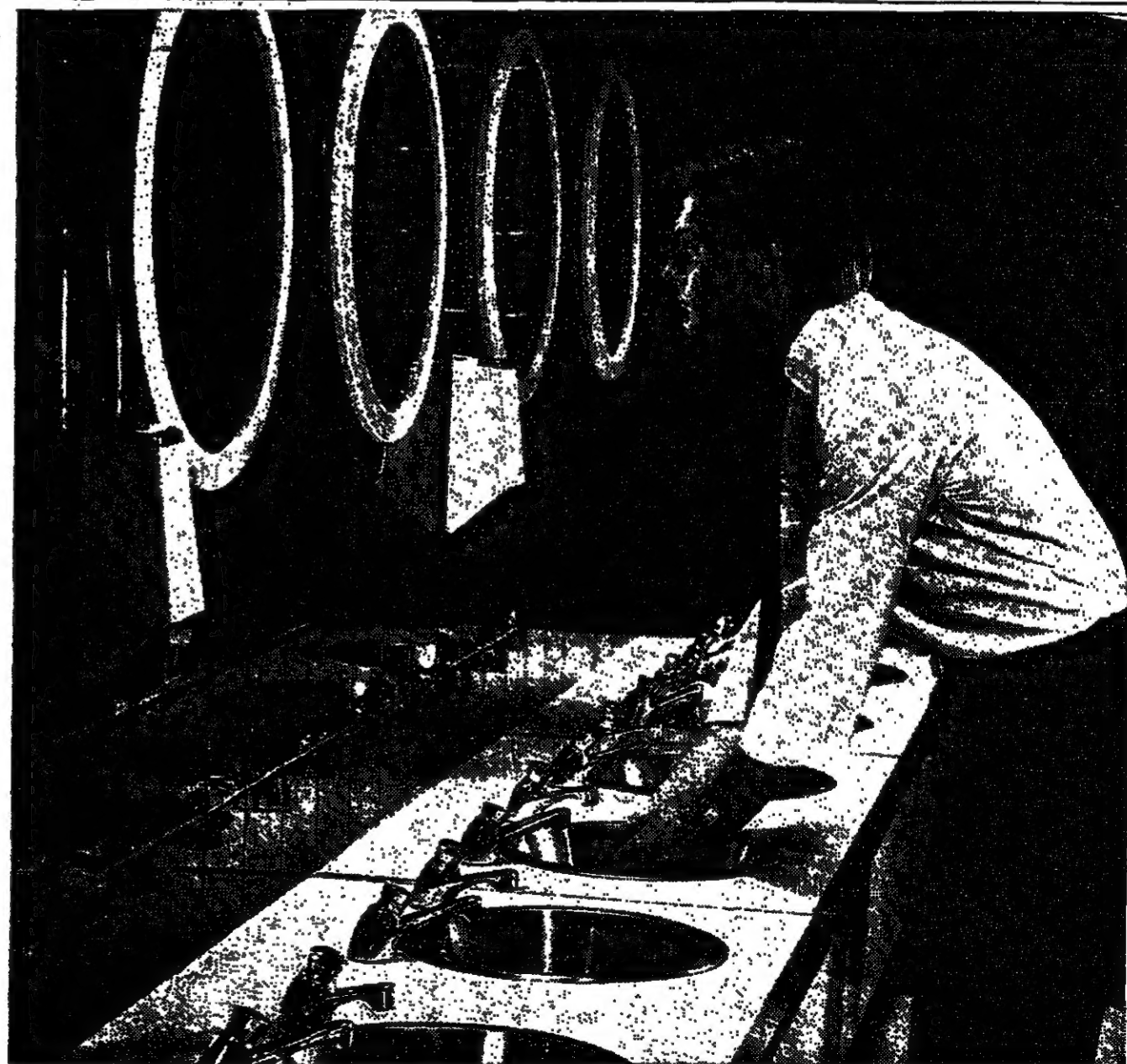
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WORLD TRADE NEWS

Brussels takes tougher line on import diversion

By William Dawkins in Brussels

EC Governments will soon have to meet tougher criteria if they are to receive Community backing for national moves to stop the diversion between member-states of low-cost imports.

The move, agreed by the European Commission, is a prelude to the possible abolition of the import defence measure concerned, Article 115 of the Treaty of Rome.

It allows Governments to take measures to stop the deflection of non-Community imports from one member-state to another if they are creating economic difficulties.

The change will cause most worry to EC textile producers seeking protection from cheap Third World competition, because textiles account for 80 per cent of the trade governed by Article 115.

Under the present system, the Commission promises to give a final response within five days to requests to set up internal import barriers, which are normally forbidden under EC internal market rules.

Under the new rules—which do not need to be passed by member-states and are only awaiting final drafting—the Commission will give provisional clearance and reserves the right to review its decision later.

It will also demand more information on trade flows and the economic justification for seeking such protection.

Legal backing of this kind for internal trade barriers is seen in Brussels as incompatible with the EC's campaign to create a fully free internal market by 1992.

Article 115 is administered by internal EC customs posts, which would theoretically cease to exist if the internal market is completed.

The measure is also being used less frequently. Requests to the Commission for import restrictions fell from more than 300 in 1980 to less than 500 last year.

The future for Article 115 presents the Commission with a politically fraught dilemma. Total abolition of the scheme would raise objections from member-states, while replacement of Article 115 by Community quotas for sensitive products or new import duties would anger exporting countries.

Voest-Alpine to carry out Bulgarian smelter study

By our Vienna correspondent

Voest-Alpine, Austria's largest state-run steel and engineering works, is to carry out a study on plans to modernise a Bulgarian smelting complex.

Voest-Alpine expects to receive follow-up orders for continuous casting and rolling mill equipment which could amount to \$200 million.

The giant Bulgarian steel works, once known as the Kremikovitsi combine, now renamed the L. I. Brezhnev kombinat, is in the north-east of Sofia, the capital.

The management of the kombinat intend to replace ingot by advanced continuous casting and to modernise and automate all the downstream production steps.

Construction of the metallurgical works began in 1960 and was designed to process

low-grade iron ores. However, coke and additional iron ore have had to be imported to the site, and since the plant is located far from good port facilities, it has been making considerable losses. Since 1983, the plant has undergone expansion, modernisation and rebuilding.

Reuter reports from Duisberg, West Germany: Krupp Industrietechnik, a wholly-owned subsidiary of Fried. Krupp, has won an order worth DM 20m from Kang Won Industrial Co in South Korea to supply a special steel billet caster, the West German company said yesterday.

The plant is scheduled to go into operation in mid-1988 and will have a capacity of 450,000 tonnes a year.

China 'should cut export subsidies'

By Robert Thomson in Peking

CHINA SHOULD reduce export subsidies significantly and make foreign trade agencies more responsible for profits and losses, the official newspaper, International Business, has suggested.

The report said China needed to remove subsidies as soon as possible but European and Asian diplomats believe that subsidies have risen this year as part of the country's drive to increase exports.

An official from the state statistical bureau has admitted that the government has been subsidising Chinese corporations committed to imports but has been unable to find the extra money needed since the 16 per cent devaluation of the Chinese currency last July.

International Business said the present system of subsidies "totally separates" domestic prices from the world market: "in the past, the gap was reflected in the fact that the purchase prices for domestic goods remained the same for quite a few years, while those on the world market kept fluctuating according to supply and demand."

The journal complained that foreign trade corporations, which are not required to make a profit, "purchase domestic goods at higher prices than those at which they are sold on the world market." It also noted that China's foreign trade is "characterised by exporting what is produced instead of what is needed."

China's trade deficit, which was \$11.97bn last year, fell to only \$2bn for the first half of this year and is expected to keep falling. Exports rose 24 per cent in the first half, while imports fell by 6 per cent compared to the same period last year.

While International Business condemns other countries for increasing protectionism, the fall in imports and an increase in the number of products requiring import licences are signs that China, too, has taken extra protectionist measures this year.

Member-countries of the General Agreement on Tariffs and Trade (GATT) would not doubt support the sentiments expressed in the Chinese journal, and are awaiting Chinese answers to questions put as part of the assessment of its application to join the GATT.

OVERSEAS DEVELOPMENT FUNDS

IMF chief backs Japan aid plan

By William Dullforce in Geneva

JAPAN'S programme for recycling \$30bn of its payments surplus to developing countries over the next three years was warmly praised yesterday by Mr Michel Camdessus, the managing director of the International Monetary Fund.

If other countries capable of contributing to the solution of the world debt problem acted with the same seriousness as Japan, a big step forward would be achieved, Mr Camdessus said.

Under plans outlined yesterday by Mr Tadaaki Kuranari, Japan's Foreign Minister, to the United Nations Conference on Trade and Development, Japan will build up its overseas development aid to more than \$7.6bn a year by 1990 and will increase grant aid to the poorest developing countries by some \$500m over the next three years, as well as recycling \$30bn.

Details of how the new \$30bn recycling programme is to be effected are still being worked out with the IMF, the World Bank and regional development banks. But the Japanese say all the funds will be provided on an untied basis, with no stipulation that they be used for purchases of Japanese goods and services.

The new programme breaks down into \$8bn to be furnished



through special funds set up within the World Bank, the Asian Development Bank and the Inter-American Development Bank.

These funds will be financed through direct contributions from the Japanese Government and private-sector monies raised on the Tokyo financial market.

A further \$9bn will go to co-financing operations by Japan's Overseas Economic Cooperation Fund (OECF) its export-import bank and private banks with the regional development banks, and to direct lending by the OECF to developing countries.

Direct lending by the export-import bank, again in the form of untied loans, will be increased by \$3bn.

In implementing the \$10bn recycling programme announced last year, \$2bn has already been allocated to a special fund within the World Bank and \$600m has been raised through World Bank bond issues in Tokyo.

A SDR 3bn (\$2.25bn) lending agreement with the IMF came into effect in December. Japan is contributing \$2.6bn to the eighth replenishment of the International Development Association and \$1.3bn to the Asian

Development Fund.

Recent agreements with Indonesia and the Philippines illustrate how the recycling works. In a co-financing operation with the World Bank, the export-import bank is to provide \$900m in untied loans to Indonesia and some \$300m to the Philippines.

Conditions are fixed on a case-by-case basis but the interest charged normally reflects the market rate, currently around 5 per cent.

Terms are 12 to 13 years with grace periods of five to six years.

The loan to Indonesia is supplemented by \$164m in overseas development aid (ODA), lending at 3 per cent interest and with repayment over 30 years, including a 10-year grace period.

A similar \$50m ODA commodity loan and 3.5 per cent interest has been provided to Bolivia in an import credit restructuring operation, co-financed by the World Bank.

Mr Kuranari also announced yesterday that as part of its recycling programme, Japan was taking to the Association of South-East Asian Nations (Asean) about ways, including joint ventures, of assisting growth in private industry.

Algeria hopes to hold imports to \$7bn this year

By Francis Ghiles

ALGERIA IS hoping that the stringent measures taken since the beginning of this year will hold imports to no more than \$7bn for 1987.

Last year imports reached Dinar 45.5bn (\$5.8bn), about one-fifth more than planned. In the same year foreign income, 97.8 per cent of which is derived from the sale of hydrocarbons, plunged by 40 per cent to just below \$7bn.

A large backlog of trade arrears thus built up late last year which Algeria has tried to reduce.

Trade arrears with France, which accounts for one quarter of all Algerian trade, have declined from an estimated Ffr 1.4bn (\$116m) at the beginning of 1987 to below Ffr 1bn today.

The measures oblige Algerian state companies to secure authority from the Central Bank for any foreign currency payment on a three monthly basis, in some instances every month.

Some observers doubt whether Algeria will succeed in curtailing imports so drastically over a 12-month period but the 40 per cent decline in French imports during the first five months of 1987, to Ffr 4.6bn, suggests that the policy is proving effective.

Ironically, it is not necessarily those companies which protested the more vociferously which are being paid first.

Meanwhile, the cost of services is declining markedly as Algerian companies increasingly insist that imported goods be brought in on Algerian ships, even if this contravenes shipping agreements with some of its trading partners.

Consultancy contracts, which provided rich pickings for Western companies, are increasingly going to Third World countries, notably India, when they are not simply cancelled.

Meanwhile, Algerian bankers have succeeded in raising sufficient two-three year funds to finance all the 15 per cent

ALGERIA IN 1987	
Exports	\$bn
Imports	9.5
Trade Balance	-2
Direct interest payments	1.3
Services	0.5-0.7
Financed long and medium-term debt repayments	3.4
Foreign reserves (minus gold)	1-1.2
FT estimates	

downpayments on new contracts which, until 18 months ago, were paid in cash. Other imports, notably those of cereals and certain spare parts, are being purchased on credit.

Algerian bankers should not find it difficult to raise the \$3.4bn-4bn in foreign currency their country probably requires this year. They still have access to international capital markets, albeit in more restrictive and expensive fashion than before.

Over the next 12 months, they

can borrow \$500m from the World Bank with whom they will be conducting their first ever exercise in co-financing later this year.

They have just raised \$70m with the African Development Bank, the first loan from this source in 10 years and are discussing another smaller one. They have probably raised money, discreetly, from Saudi and Gulf institutions. Last year they were able to borrow \$300m from the Saudi privately-owned Islamic Bank Ezzawail Saudi Tunisia.

They are also believed to be able to secure far more than the \$150m they have raised from the European Investment Bank these past five years.

The trend to far this year suggests that Algeria's balance of payments might be in equilibrium this year. Its balance of trade will certainly be in surplus, but by exactly what amount is impossible to say.

Hard currency reserves are meanwhile believed to stand at

Indonesia may build satellite centre

By John Murray Brown in Jakarta

INDONESIA'S own commercial satellite launching centre, Mr Ahmad Tahir, Minister for Tourism, Post and Telecommunications, said yesterday.

A fact-finding mission was sent to China earlier this month to discuss such a plan, and a similar team was to go to the Soviet Union in August.

Indonesia's position on the Equator has long been considered ideal for the launching of satellites. China has often expressed interest in using a site on the jungle island of Kalimantan for its Long March Rocket.

Indonesia has hitherto used US rockets to send its Palapa series of satellites into space. However, the Shuttle disaster early last year has put those plans badly off course. Indonesia has since launched its Palapa B-2p, built by Hughes Aircraft of the US, aboard Nasa's Delta rocket, but at markedly higher cost.

Indonesia is concerned that with both Nasa and European Ariane rockets, it is looking fully booked at least into next year. It may be hard-pressed to send its latest into space on schedule.

just over \$1bn, excluding gold worth a little more than that figure.

The higher spot market price of oil is significant for the country's foreign income, 97.8 per cent which is derived from hydrocarbons.

Half this income is derived from the sale of refined products abroad, which are not subject to Opec quotas.

Considerable uncertainty still surrounds the estimated value of Liquefied Natural Gas exports, all the more as the dispute with Gas de France and Distrigas of Belgium over the terms of exports is as yet unresolved.

Algeria, Libya and Tunisia have decided to create a joint natural gas transport company within a firm of supplying western Libya with Algerian gas.

Such a project, it is hoped in Tunisia and Algeria, should help to build the basis of an economic co-operation between the three countries.

AMERICAN NEWS

Raul Alfonsin ignores pessimistic fears about plans for a new capital city, close to the Patagonian desert

The man looking south defies prophets of doom

A NEW Argentine film currently on the circuit in Buenos Aires is titled 'The man looking to the south'. Its subject is an extra-terrestrial (in human appearance) who appears one day in a mental asylum in the Argentine capital, intending to study human society.

A doctor is at first prepared to assist him, but is later obliged by his superiors to drug his unusual patient until he eventually becomes a mental vegetable.

The subtle moral is that Argentine society is too conservative to accept radical change, and that it's citizens, if they become too rebellious will be forced to conform or be spiritually and physically crushed.

President Raul Alfonsin, with his ambitious plan to move the capital 800 kilometres to the south to a place known as Viedma, has been dubbed by cartoonists in the man looking towards the south, in a clear allusion to the film.

One year after springing the idea on the Argentine people, the president is far from crushed, however. The Bill to approve the capital's move sailed through the Congress in May.

There was surprisingly little re-

sistance, given the interests at stake, in a capital which accommodates 40 per cent of the population and the bulk of the country's industry and commerce.

Viedma and Carmen de Patagonia, form a sleepy and pleasant town of 60,000 people, on the edge of the vast Patagonian desert, 80 kilometres inland from the Atlantic ocean.

Irrigation water from the river passing between the twin towns has converted the nearby flat shrubland into lush market gardens, producing fruit and vegetables for export to Europe and the urban markets to the north.

Thousands of square kilometres to the east and south remain unexploited, but agricultural experts say irrigation would make the land as productive and fertile as the pampero grasslands to the north which made Argentina famous for its wheat and beef.

Patagonia also has Argentina's main mineral and coal deposits, and with a new gas and oil exploration effort under way, it is likely to become Argentina's principal source of hydrocarbons by the next century.

Tim Coone, in Buenos Aires, reports on a decision to move the capital to the southern town of Viedma and analyses the reasons for opposition to the ambitious but controversial plans of President Raul Alfonsin (right).



Yet despite its vast resources, the region, covering almost 30 per cent of the total surface area of the country, is also the least populated. Only three per cent of Argentina's 30m people live in Patagonia's 780,000 square kilometres. It is Argentina's unexplored frontier.

President Alfonsin's objective in moving the capital there is to shift the entire focus of political and economic development in the country.

The plan "forms part of a wider project to reform the state and is a demonstration of the will to transform and modernise Argentina. It is a deliberate and decisive historical discontinuity which will rapidly change the face of the country", he said last year, announcing the plan to the Congress.

Mr Jose Sacigalupo, the chief architect of the commission for the move of the capital, says, "it will be a gradual process which will depend on the available budget."

He envisages an initial stage from now until 1989 during which the first construction and moves of some government offices and the first 1,000 employees will be made.

It is Dr Alfonsin's ambition to either hand over to a new president, or begin a new term of office in 1990, in the new presidential palace to be constructed on an island in the river.

The following five years will then be a stage of consolidation as the administrative sectors of other ministries are moved.

After ten years some 26,000 of the 142,000 employees of the central government will be working in Viedma.

A number of state-run companies will move their headquarters to the new capital and the growth in service industries and agricultural development will increase the resident population.

The move is intended to be accompanied by the full incorporation of information technology and computer networks into central government administration.

This should give rise to some light industry development, although no heavy industry is planned, says Mr Sacigalupo. "We are planning a Bonn rather than a Brasilia," he said.

A total of 265,000 extra inhabitants are expected within ten years, 26,000 being government employees, 65,000 being induced employment in service industries and other sectors, and the remaining 174,000 being dependents. The long-term projection is that 500,000 people will inhabit the new capital.

The total cost of the initial three stages varies, depending on your source. The committee for the capital's move gives a figure of US\$2.8bn while \$4.6bn was the figure proposed by Mr Ricardo Carciofi, the budget secretary of the Treasury, when he detailed costs to the Congress.

The pessimists and prophets of doom are many, some have already gleefully pointed out that Viedma has been totally destroyed by floods twice in its 200-year history.

Gen Noriega calls for his dismissal

Gen Noriega, who as chief of the Panama Defence Force controls both the army and police, is widely seen as the power behind President Eric Arturo Delvalle. The Civic Crusade wants an independent investigation of charges linking him to corruption, election fraud and political killing.

In the past seven weeks, Panama has been hit by a series of anti-government protests in the worst political unrest to hit the country since the military seized power in a 1968 coup.

Bankers acknowledged that continuing political uncertainty has shaken confidence in the banking centre and spurred a flight of capital from Panama. Government officials have declined all comment on the extent of the damage.

Officially, representing 6,800 Panamanian canal employees have come out in support of the strike. Despite assurance by the Panama Canal Commission, the US government agency responsible for canal operations, that the waterway will not be affected by the strike, officials have said that employees plan to take sick leave for the duration of the stoppage.

The strike is also supported by the Chamber of Commerce and the influential National

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Approval close for US banking measures

By Stewart Fleming, US Editor, in Washington

CONGRESS is moving rapidly towards approval of a significant reform of US banking laws amid controversy over the thrust of the legislation and a debate within the Reagan Administration about whether the President should veto it.

The legislation, which has been passed by the House and the Senate and was approved by a conference committee of both Houses on July 1, is going through the final stages of the Congressional process in which the language of the bill is being completed.

In principle the legislation could go to President Ronald Reagan for signature within the next few days. The key short-term inflationary effects of such a construction boom or whether Argentina's foreign creditors are prepared to foot 30 per cent of the bill.

The man looking south is clearly hoping his friends to the north will understand his reasons.

Another outcome is still possible, namely that Presidential action is delayed until September to give time for further negotiations on a compromise. One calculation the President needs to make is whether he could muster enough votes on Capitol Hill to avoid Congress overriding his veto.

The main provisions of the bill are a \$8.5bn increase in the fund administered by the Savings and Loan Insurance Corporation; a measure to close the loophole which has allowed the expansion of insured service banks—so called non-bank banks—and to prevent regulators from granting banks new powers to conduct business until at least March 1988.

Congressional officials said yesterday that Mr James Baker, the US Treasury Secretary, has in the past few days raised the possibility of a compromise on some of the more contentious elements of the legislation.

These include proposals that the increase in the bail-out fund for the savings and loan industry should be increased to \$12bn.

Wages and salaries increased by \$8bn in June.

Personal income rose 0.4 per cent, or \$13.2bn, in June to a seasonally-adjusted annual rate of \$3,711bn.

The increase followed a revised 0.5 per cent rise in May. The Commerce Department previously estimated that May income rose 0.3 per cent.

The department also revised the April personal income rise to 0.5 per cent from 0.4 per cent.

Personal expenditure rose 0.7 per cent or \$20.4bn to \$2,656.5bn in June after falling 0.1 per cent or \$3.6bn in May.

Personal income in May and June benefited from a large increase in retrospective social security benefit payments in May, changes in subsidy payments to farmers and an initial payment to a new retirement savings fund for federal employees.

Wages and salaries increased by \$8bn in June.

Investigators probe Haitian land dispute

MILITARY investigators in Haiti attempted yesterday to determine how a land dispute erupted in a clash in which at least 100 people died. Reuter reports from Jean-Rabel.

Hundreds of refugees were in Jean-Rabel, afraid to return to villages where men fought with machetes and other farm tools last Thursday and Friday. At least 100 people are believed to have died in the fighting near Jean-Rabel, which is 140 miles north-west of Port-Au-Prince, the capital.

Some witnesses said members of the Tonton Macoutes, the security group once controlled by the deposed dictator Jean-Claude Duvalier, had taken part in the fighting on the side of landowners.

Witnesses from villages said they saw hundreds of people killed in fighting between peasant factions. Mr Cénfias Monest, president of a local association of land-owning peasants, said he had helped to bury at least 100 people.

He said: "We found people lying dead in the street, in their houses, just about everywhere."

The Rev. Evetil Achelus, a Protestant minister, said he had counted at least 300 dead along several miles of mountain road to Jean-Rabel. The violence was the worst outburst since the ousting of Jean-Claude Duvalier in February 1986. It follows a series of strikes and demonstrations that have resulted in the deaths of 23 people.

Military officials said they feared violence between the peasant groups would flare again in a cycle of revenge and reprisal. Accounts of the clash differed, but most witnesses said it stemmed from a dispute between poor peasants, many of them landless, and landowners.

Three radio stations initially reported that the violence began when the Tonton Macoutes ambushed a group of demonstrators.

Strike threatens to paralyse Panama banks

By our foreign staff

PANAMA faces a nationwide strike today which threatens to paralyse the banking industry and disrupt shipping in the Panama Canal.

The two-day strike has been called by the Civic Crusade, a loose alliance of more than 100 business, civic and professional groups which has been behind seven weeks of anti-government protests. Opposition groups are seeking the dismissal of Gen Manuel Antonio Noriega, the military strongman.

Tensions mounted in Panama City yesterday where nearly all business, commerce and transportation was shut down at the outset of the strike. Extra police patrols were in evidence throughout the city.

In an escalation of the confrontation between the government and opposition groups, three opposition newspapers were ordered to close on Sunday. Editorial employees at La Prensa and Extra said that armed soldiers entered the newspapers' offices and ordered



Gen Noriega calls for his dismissal

them closed. There were also reports that a third paper, El Siglo, had been ordered to cease publication.

Bankers warned yesterday that the strike threatened Panama's status as a leading banking centre and urged bankers' banking employees to

ignore the strike call. "The responsibility and fate of our banking centre is in your hands," Mr Mario De Diego, director of the National Banking Commission, warned in a televised address.

Mr De Diego issued an order last week that no banks were authorised to close for the strike. However, a spokesman for the country's 8,000 bank and financial employees have said they support the strike and will ignore the commission's order to work.

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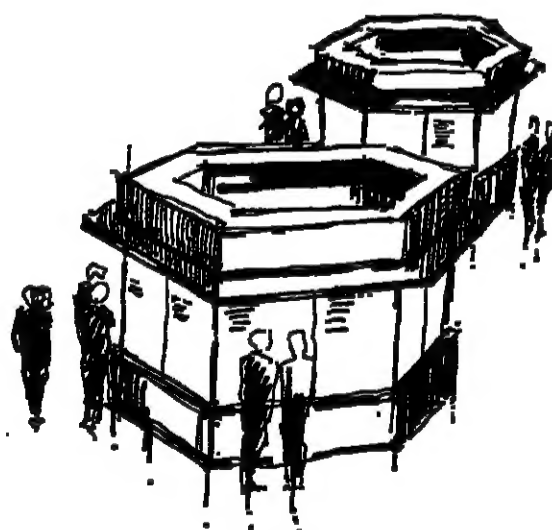
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UK NEWS

Peter Marsh looks into misgivings over a Peak District plan Why science wants the fresh air

A DISPUTE over plans for a small science park in the heart of Britain's Peak District illustrates the pressures that can face high-technology companies located in the countryside.

Although precise figures are not available, it appears that a growing number of mainly small, science-based companies are setting up in rural areas. However, a shortage of suitable premises in what are primarily agricultural regions, together with opposition from planning authorities, can sometimes impede growth.

High-tech businesses in fields such as computer software, instrumentation and biotechnology often lend themselves to life in rural areas. Such companies frequently employ small workforces and their products and raw materials are likely to be transported in vans rather than lorries, causing minimal disruption.

Furthermore, people starting the companies frequently prefer to work in the countryside rather than in cities because they see it as a better environment.

In the Peak District in central England, one of Britain's most picturesque areas, English Estates, a property building agency of the Government, wants to start a £1m development catering for small, high-tech companies.

The development would take

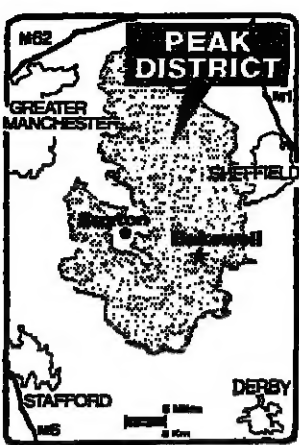
place in the market town of Bakewell, Derbyshire, one of England's 23 rural development areas. In those regions, English Estates, acting with the Development Commission, another state body, is tasked with constructing industrial buildings with the costs met by the taxpayer.

The Derbyshire scheme has run into opposition from the Peak Park Joint Planning Board, which has planning responsibility in the area. Members of the board include representatives from county and district councils in the Peak region, with people appointed by the Environment Department.

Derbyshire Dales District Council, the local authority for Bakewell, supports the scheme. The council does not have planning jurisdiction over those parts of its territory which include the Peak District because of the existence of the joint planning board.

Mr Roger Yarwood, chief planning officer for the district council, says: "Development of high-tech businesses is one way of broadening the economic base of the area." The council believes that without new development, the scope for expansion of such companies in the Peak region will be minimal.

The joint planning board, which has a reputation for being strict on new developments in the Peak because of the need



to protect its rural character, said the board "had some difficulty" with the English Estates scheme.

It would not comment further until the scheme had been officially submitted for approval in the next few weeks. English Estates and the local district council are likely to submit the plan jointly. It calls for the provision of 25,000 sq ft of office and workshop units in the form of several small buildings on a site on the edge of Bakewell.

If the scheme goes ahead, one of the occupants is likely to be Combustion Developments, a 10-strong company based in Bakewell, which makes pollution monitoring instruments for power stations.

Mr David Coe, managing director, said the company was expanding but there was little suitable industrial space in Bakewell. He said his company might eventually have to move out of the area if appropriate buildings did not become available.

Mr Andrew Gould, a planner at Segal Quince Wicksteed, a Cambridge consultancy that has advised English Estates on the Derbyshire project, said that to block developments in rural areas such as that planned for Bakewell might lead to "damaging consequences" for local economies.

In a study for English Estates, Segal Quince Wicksteed found there was "a good demand justification" for the development of high-tech property schemes in the region around Bakewell. The consultancy discovered about 30 technology-based companies in the area, many of them small but expanding and started by people living locally.

Besides examining the Peak District, Segal Quince Wicksteed also looked at prospects for high-technology growth in three other rural areas—South Cumbria, the Lancashire region and eastern Suffolk.

As a result of these studies, English Estates is going ahead with another high-technology development in Cumbria, although it has nothing planned for the other two regions.

Inflation worries spur further slide in gilts

BY JANET BUSH

THE UK government bond market (gilts) yesterday fell to its lowest level since late February as concern about higher inflation and a deterioration in Britain's trade balance continued to dominate the mood.

Yesterday's sharp decline extended last week's downturn in gilt-edged prices in reaction to official figures showing surging bank lending, a large current account deficit in May and evidence of booming retail sales activity.

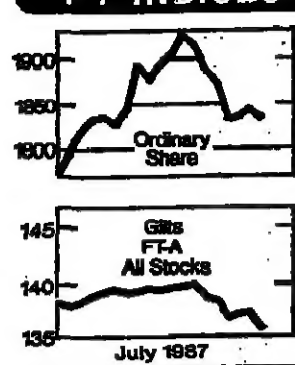
The gloom spread to other financial markets but losses were not nearly as pronounced as in the government bond market which is most sensitive to current arguments the economy could be overheating.

While domestic money market interest rates moved up by as much as 7½ p.p. yesterday amid speculation that leading rates may have to rise, sterling, while weak, did not appear to have come under serious selling pressure. Equities put in a late rally after substantial losses last week and early yesterday.

Financial markets are eagerly awaiting publication this morning of the latest quarterly industrial trends survey compiled by the Confederation of British Industry.

The survey contains answers on orders both from the domestic and export markets, investment intentions, costs and capacity utilisation. Evidence about these aspects of

FT INDICES



July 1987

industry's performance and expectations over the next few months are regarded as crucial to the current debate about the ability of British industry to respond adequately to buoyant demand and so avoid a surge in imports and pressure on domestic prices.

The UK Government bond market has fallen inexorably during the past week despite a lack of concrete signs that industry is coming up against capacity constraints.

Anecdotal evidence suggests that the most serious constraint identified by industry is that of skill shortages. Those capacity constraints which exist appear to be isolated and have not, as yet, led to notice-

able upward pressure on factory gate prices.

The survey is likely to show business confidence is still running high, that export orders remain healthy and there has been an improvement in industry's investment intentions, confidently forecast in Whitehall at budget-time.

Yesterday's sharp falls in gilt-edged prices, which ended up to 1½ points lower, came as a surprise to many in the market who had expected some stabilisation after last week's losses and prior to the CBI survey.

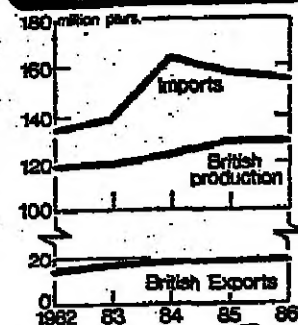
Gilt-edged market makers reported only modest selling but a complete dearth of buyers. Sales came from domestic institutions and foreign investors and from primary dealers who were forced to abandon long positions in gilts held since before the general election.

On the equity market, the FT-SE 100 index recovered from a 31 point fall at mid-session to close 13.0 points lower at 2,333.9, while the FT ordinary declined 10.8 to 1,834.5.

Sterling's trade-weighted index closed at 72.5, 0.2 down on Friday's close. The pound ended European trading at \$1.5835, compared with Friday's closing \$1.6040 and at DM 2.9650 after DM 2.9725.

Market report, Page 38

Footwear



Imports
British production

Shoemaker steps up production

By Alice Rawsthorn

ONE OF the most successful survivors of the shake-out in the British shoe manufacturing industry came by the cheap. In the decade in building its first new factory since the early 1960s.

C. J. Clark, Britain's largest shoe manufacturer, is almost to double capacity at its largest site at Radstock, near Bath, in the West of England.

Many long-established shoe manufacturers disappeared as a result of the flood of low-priced imported footwear in the early 1980s. The survivors, like Clark, have cut costs and improved productivity.

Footwear production technology has become increasingly sophisticated, with automated assembly, though the cutting and stitching of shoes is still labour-intensive.

Construction of the £3m factory began yesterday and is due to be completed in a year. The existing Radstock plant, which manufactures children's shoes, produces just over 2m pairs a year. On completion, both the old and the new factories will produce almost 4m pairs. The new factory will also manufacture adult shoes.

Clark describes the new plant as the "most advanced shoe-making factory in Europe." In addition, it is modernising the assembly process at the existing factory.

The high level of automation means that, despite the substantial capacity increase, the new plant will create only 20 or 30 new jobs. The existing factory already employs 700 people.

Clark, who manufactures under its own brand name and produces private-label shoes for multiple retailers, has no increased the market for its branded products by expanding within the retail sector.

In the past two years it has created a new chain of 100 Clark's shoe shops. It has also revamped its Peter Lord shops and is doing the same for the K. Shoes chain.

High-tech company rural start-ups 'rising'

MORE high-technology companies are setting up in rural areas, according to a computerised survey, writes Peter Marsh.

The survey was conducted by the Council for Rural Industries in Rural Areas, a government body that helps businesses in the countryside through grants or in finding buildings for the companies.

Over the past 18 months the council, which acts with the Development Commission, another state body, has made a computer analysis of the

27,000 companies it knows about in the countryside.

Mr Brian Baxter, the council's deputy chief executive, said the returns highlighted the "growing shift" in the numbers of science-based concerns in rural regions. "These areas are attractive and have a good image and, often, they offer companies a loyal and hard-working workforce," he said, through grants or in finding buildings for the companies.

The survey's figures must be treated with caution as they only include rural companies with which the council has dealt. Since this is the first time such figures have been collated, it is unclear what degree of numbers in specific industrial activities have changed.

According to Mr Baxter, however, the figures fit in with general impressions about trends in the activities of countryside companies.

The survey showed that a small, but apparently growing, number of companies known to the council operate in fields such as plastics, electronics, clothes production and food and drink. These

activities, all to some degree applying new technologies, account for about 14 per cent of the companies surveyed.

A higher proportion of rural companies is involved in traditional countryside pursuits such as making furniture, crafts and conventional engineering such as farm equipment repair.

Such groups make up about 38 per cent of the businesses in the survey. Some 11 per cent of the companies were in service industries and 10 per cent connected with vehicles, such as car repair.

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Changing names 'may not help public recognition'

BY CLAY HARRIS

COMPANIES, take notice. Changing your name or your business may not help your recognition with the general public. Even stockbrokers and institutional analysts may be hard pressed to remember what exactly it is you do.

Popular capitalism is coming to the rescue, according to a survey published on Sunday, which indicates that share ownership, regardless of social class, increases awareness of companies and their businesses.

Reginald Watts Associates, communications, found that only 22 of the 100 leading British companies with alpha shares could be correctly linked with their core activity by 100 per cent of public respondents surveyed in London.

Only 67 of the companies received perfect scores from 24

brokers and institutional analysts. The groups with 100 per cent recognition included leading clearing banks and retailers, privatised utilities, Cadbury Schweppes, Unilever and General Accident.

Three companies topped the greatest number of analysts and public respondents. Only 18.4 per cent of the public and 48 per cent of analysts could identify the core business of BHP Industries, the initials failing to evoke their origin in British Plasterboard.

The next most obscure was Cookson Group, the plastics, ceramics and non-ferrous metals company. Corporate awareness survey, Reginald Watts Associates, 1-11 Hay Hall, London, W1X 7LF, no charge.

More spending on utilities 'need not harm economy'

BY ANDREW TAYLOR

PUBLIC spending on roads, water and sewerage systems and on inner-city investment could be increased without damaging government financial policy and leaving room for tax cuts, according to a report by building material producers.

The report, by the British Aggregate Construction Materials Industries, said that £19bn was needed to improve and replace Britain's roads. There had been more than 5,000 significant sewer failures in England during 1985-86.

The trade federation for the aggregate, bituminous-coated materials, surfacing and ready-mixed concrete industries appealed for greater government spending on construction. It said there should be fewer curbs on local authority spending on infrastructure.

The report said: "Greater investment is affordable within the Government's medium-term financial strategy and with the retention of the Chancellor's declared aim of keeping the public sector borrowing requirement as 1 per cent of GDP."

"Even after a further reduction in personal taxation, as promised in the Conservative manifesto, there will be scope for selective increases in construction investment."

It said local authorities should also be free to use capital receipts from sales at whatever rate was necessary to stimulate improvements.

Building Prosperity, Scope for Growth in Construction, BACMI, 156 Buckingham Palace Road, London SW1 W9TR.

Deal may end demarcations in engineering

By Our Labour Staff

ENGINEERING employers and unions last night agreed a far-reaching set of proposals to reduce the working week in the UK industry by 1½ hours in return for increased flexibility of working practices and hours.

The proposals, agreed after negotiations lasting three years, will now be considered by the 5,000 member companies of the Engineering Employers' Federation and the 17 unions making up the Confederation of Shipbuilding and Engineering Unions.

They allow for a cut in working hours from 39 to an average of 37½ for up to 1.5m engineering workers by May 1990 at the latest, in return for freezing traditional demarcation lines and the possible acceptance of fluctuations in the working week in response to seasonal and demand variations.

Dr James McFarlane, director general of the federation, said last night that the proposals would allow for variations in implementation at individual companies and would be self-financing.

If flexible working time was not agreed at some establishments, workers there would have to accept other cost savings instead.

If an agreement was reached it would be "highly significant" for the engineering industry, and would mean "doing away with the ancient demarcations that have hampered us for so long," he added.

More employees resist pensions holiday trend

BY DAVID BRINDLE, LABOUR CORRESPONDENT

WORKERS ARE increasingly taking action to resist employers' pension contribution holidays—and are achieving some success.

Trade unions, often poorly versed in pension matters, have been slow to react to the trend. But they are starting to capitalise on the strength of feeling among work-

forces at the perceived unfairness of a one-sided contribution holiday. Mr John Tuckfield, assistant general secretary of Tass, the manufacturing union, says unions have a crucial role to play, both in fighting individual cases and campaigning for a change in the law, because the Government is "indifferent to the fact that thousands of working people are having their pensions stolen."

Tass claims a recent success, at Barr and Stroud, the optical equipment manufacturer. The union says that a six-month overtime ban forced the management to amend plans for a contribution holiday this year, to undertake to negotiate on all future pension fund surpluses and to guarantee that the employees' contribution would always at least match the employee's 5.5 per cent.

The company says the agreed outcome for this year—one-third of the surplus to improve benefits, one-third to reduce the employer's contribution to equal the employee's—is broadly what it intended in the first place and that the mutual 5.5 per cent contribution level will be maintained for "about three years."

Workers at Lucas Industries have also been taking limited industrial action over a contribution holiday and say they have succeeded in bringing the company to the negotiating table. Workers at Racal, the electrical group, are likely to be urged to follow suit.

However, unions may discover that the courts offer an alternative means of challenging contribution holidays: workers at Massey Ferguson, the tractor manufacturer, are said to have raised £25,000 to bring a legal action on the issue.

Although this and other cases show that the unions are belatedly stirring, they have a lot to learn. Ms Anne Simpson, of the London-based Pensions and Investment Resource Centre set up a year ago to advise local authorities and unions, says there is not even a central register of union-nominated fund trustees.

Ms Simpson believes that unions have, to their cost, in the past been uninterested in and even opposed to company pension funds—as distinct from preferred state provision—and that fund trusteeship has been regarded as a perk, rather than a serious responsibility.

The resource centre, together with the West Midlands Trades Union Congress (TUC), is staging a conference in September specifically aimed at shopfloor fund trustees. At the current rate of declaration of contribution holidays, the issue looks likely to dominate proceedings.

Demerger plan defeats TSB in bid for Hogg

BY NICK BUNKER

TSB, the banking group, yesterday failed in its hostile bid for Hogg Robinson, the insurance broker, when Hogg's shareholders backed its rival plan to spin-off its travel and estate agency operations into a new company.

More than 75 per cent of shareholders voting approved Hogg's demerger plan at an extraordinary general meeting.

It is understood that Hogg's biggest shareholder, the Kuwait Investment Office, swung its 8.4 per cent stake in favour of demerger.

TSB, which offered £280m, or 800p a share, for the Hogg group, said it had "lost one battle but perhaps not the war." It must now await a ruling from the Takeover Panel if it wishes to use its £1.5bn cash pile to bid again immediately

for the demerged Hogg travel and estate agency company.

The Panel emphasised that it would rule only after hearing from all the interested parties.

Hogg's shares yesterday closed down 13p at 820p. TSB lost 1p to 90.5p.

Yesterday's meeting came only nine days after TSB launched its bid.

It wanted to keep Hogg's 297 travel agencies, its 77 estate agencies and its transport and financial services side. It planned to sell Hogg's UK and US insurance broking for £116m to Dewey Warren, a small reinsurance broker 42-per-cent-owned by Bell Group International, the investment vehicle of Mr Robert Holmes a Court, the Australian financier.

Call for reform of TUC

BY OUR LABOUR STAFF

THE white-collar union ASTMS, and Usdaw, the shopworkers' union, are ready to throw their weight behind plans to restructure the Trades Union Congress (TUC).

Both unions have submitted motions for the forthcoming TUC annual meeting at Blackpool in September, which calls for the TUC to take up a campaigning role, boost union recruitment and establish a higher public profile.

A wide-ranging debate on the future role of the TUC covering recruitment, services to members and inter-union competition, will be the centrepiece of the Congress.

While both motions are in line with some of the thinking behind a recent paper on the TUC's structure drawn up by Mr Norman Willis, the TUC's general secretary, neither union recruitment and establish a higher public profile.

endorses some of the more controversial ideas he has put forward.

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**INTERNATIONAL
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UK NEWS

7

Allied Dunbar sets £1bn target for mortgages

BY ERIC SHORT

ALLIED DUNBAR Group, Britain's largest linked-life insurance company and a main arm in the financial services division of BAT Industries, is aiming to become a leading mortgage provider, with a target of £1bn lending next year.

That level is achieved it might put Allied Dunbar in the top 10 mortgage lenders in the country in the amount of advances.

Life companies have, over the past two or three years, been moving into the home loans market, especially those not on the "inner panel" of companies recommended by building societies to provide mortgage repayment contracts.

Allied Dunbar started offering mortgage facilities more than a year ago, using the Mortgage Funding Corporation to provide finance. It has lent £150m to date and current lending is running at £20m to £25m a month.

However, Allied Dunbar intends to become a significant player in the mortgage field by offering highly competitive lending rates, especially for larger loans, and by expanding its involvement in the pension mortgage fund.

From the beginning of September, the company is reducing its interest rates to all new and existing borrowers by 1 per cent. For loans of £75,000 or more, rates will be 10 per cent (APR 10.7 per cent), one of the cheapest on the market.

However, Allied Dunbar is looking for much of the growth in mortgage business from its

new facility of interest-only mortgages to members of group pension schemes.

A pension mortgage is the most tax-efficient means of servicing a mortgage. The borrower pays only interest during the term of the loan and repays the mortgage from a tax-free cash sum available at retirement.

Pension mortgages are popular with the self-employed, but until recently have not been readily available to employees in their employers' schemes. Facilities for employees are usually arranged by employers.

However, the Allied Dunbar scheme, to be launched next week, will be available directly to employees. Mortgages will be granted on the basis of the annual benefit statement now provided by pension schemes.

Under the new pensions system brought about by the 1986 Social Security Act, employees will be able to opt out of company schemes and take a personal pension. Many such personal pensions will have pension mortgage facilities on contributions above the minimum level.

Allied Dunbar, which also intends to be a big provider of personal pensions, expects that many employees will benefit more by remaining in their company scheme. Mr Jerry Grayburn, an executive director of Allied Dunbar, said the facility would ensure that employees would have no need to leave a good company pension scheme solely to get a pension mortgage.

British drug best-sellers second to US industry

By Peter Marsh

THE UK pharmaceutical industry is second only to that of the US in coming up with top-selling products, according to a report by Robert Fleming Securities, the stockbroking firm.

The study says that Britain was responsible for eight of the world's 50 top-selling drugs last year. US pharmaceutical companies secured 23 products in the top 50.

Britain performed better than Switzerland, Japan and West Germany, which accounted for six, five and four products respectively among the top 50 medications.

Sales of the UK's eight top-selling drugs came to \$4.98bn (£3.1bn) in 1986 out of the Western world's total pharmaceutical market of \$64bn. The market leader, British products were Glaxo's anti-ulcer drug, Zantac, and Imperial Chemical Industries' Temorin, which relieves hypertension.

The report makes clear the fragmented nature of the world's drug business. The top 50 products, marketed by 27 companies, accounted last year for \$16bn sales, or 17 per cent of the total market.

Merck Sharp and Dohme of the US, the world's largest drug company, produced more than 10 top 50 products than any other company. Its Italy was seven, led by Aldemco, which reduces hypertension. Ciba-Geigy of Switzerland, with four products, was its nearest rival.

On specific drug types, the report forecasts that sales of medications for cardiovascular disorders will grow at the particularly high rate of about 15 per cent a year until 1991, when world sales are likely to total \$23.5bn.

The next biggest growth area, says the report, will be for anti-viral drugs, among them products to treat AIDS. This category is expected to grow fourfold by 1991 to reach \$1.16bn.

Pharmaceutical Products Worldwide, Robert Fleming Securities, 25 Copthall Avenue, London EC2R 7DR.

Amstrad plans 'powerful' PC

By David Thomas

AMSTRAD, the consumer electronics company which launched its latest range of personal computers last month, is working on a more powerful range, which it will present next year.

Mr Malcolm Miller, Amstrad marketing director, confirmed that the range would be quicker and have more memory than Amstrad's present personal computers.

He said it would, therefore, be in more direct competition with mainstream personal computers sold in the corporate market by companies such as IBM.

However, Amstrad would continue to sell the new machine through high-street retailers and specialist dealers.

replacing government control with market-based restraints; ● Dismemberment of the CEBG into a multiplicity of generating companies; and separate companies to distribute and transmit the power, which would be subject to an Electricity Commission; there would also be a state-owned ramp of nuclear stations; ● Integrated area power boards modelled on the South of Scotland Electricity Board, handling generation and distribution; ● Privatisation of the CEBG intact, while introducing elements of competition similar to the way in which Mercury competes with British Telecom.

The council believes the last scenario has the best chance of being selected. The only clue to the Government's preferences is Mr Spicer's insistence that the industry must not be disposed of in a "unitary" form. He has admitted a "personal prejudice" that it must be reshaped to give it "as much competition as possible, particularly at the generation end."

In West Germany, Mr Spicer will be able to inspect an industry fragmented along regional lines and in which there is a large element of private ownership. "I also want to see how much private capital can feed into the development of nuclear power," he said.

In Britain, Mr Spicer also appears to envisage a greater role for smaller, flexible power plants. They would be far less expensive to build than the recent large-scale projects favoured by the CEBG.

Alice Rawsthorn on the significance of C & J. Clark's new footwear factory

New technology signals lasting success

WHEN BUILDERS arrived with pneumatic drills and sacks of cement at the site of C & J. Clark's new footwear factory in the West Country this week they marked a watershed in the shoe industry's fortunes. So far in the 1980s, the industry has been noted for closures, not openings.

The development, to cost £9m, will create one of the most expensive and most modern shoe-making plants in Europe. It will be the first factory built by Clark, the bastion of the British industry, for more than two decades.

Clark, like many shoemakers, thrived in the industry's 1960s heyday and suffered in the decline of the early 1980s. The cause of misfortune was the influx of cheap footwear from Italy, Spain and, later, Brazil. The flow of imports that began in the 1950s became a flood in the 1970s, reaching a peak of 61 per cent of all shoes sold in 1984.

In recent years, after job losses and factory closures, British makers have recovered some lost ground: the trend for more traditional design — brogues for men and courts for women — has been favourable; currencies have swung in Britain's favour and the Italians have been especially hard hit in

the past year or so by the strength of the lira.

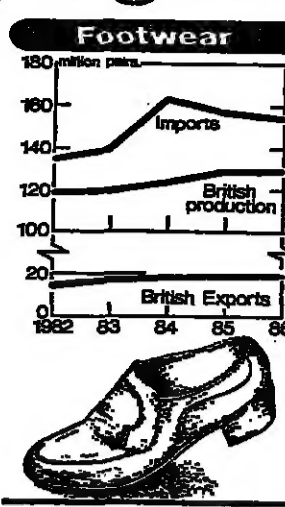
However, fashion and exchange rates are notoriously fickle. If producers are to capitalise on the recovery and emerge as a competitive force against overseas makers they must cut costs and improve productivity. By consensus, the key to that is use of the type of new technology that will equip Clark's factory.

Until now, the industry has been slow in introducing automation. The explanation is that until recently there was little technology available.

Shoe-making is an intricate process: there are at least 40 operations involved in making a shoe; leather, the staple material, is irregular in consistency and can be difficult to handle.

Moreover, the production process is so idiosyncratic that new equipment would have to be developed specifically for footwear and probably could not be adapted for use by companies in other sectors.

Those handicaps are exacerbated by the industry's fragmented structure. There are 750 footwear companies in the UK, says the British Footwear Manufacturers Federation, but most are small enterprises.



Only 154 companies employ more than 50 people.

There has been, therefore, relatively little pressure for change from within the industry. Developing new systems for footwear production has not looked like a lucrative market for machinery makers.

Yet in recent years the pace of change has quickened. Automation is most advanced in the so-called lasting, that is assembling, of the shoe. Many makers

now use automated assembly lines and have effected huge improvements in productivity. At Lambert Howarth, for example, labour input in that area has been halved.

The introduction of computerised sewing-machines has automated part of the so-called closing, that is stitching, process, traditionally the most labour-intensive part of shoe-making.

Productivity gains here have been less dramatic but companies can use the new machines to produce decorative detail, like embroidery, that would not be cost-effective if done manually. Moreover, the machines can be operated by semi-skilled workers with relatively little training.

The next advances should come in the field of computer-aided design: six British groups have introduced CAD facilities. Similarly, computerised so-called clicking, that is cutting, should arrive next year.

So far new technology has become available piecemeal. Dr Ron Whitaker, research director of the Shoe and Allied Trades Research Association (Satra), expects a fully integrated automated system to be available by the turn of the century.

Until such a system becomes available, shoe-making will continue to be labour-intensive. However, the level of intensity is already falling. The new Clark plant will almost double capacity at Radstock, Avon, but will add just 30 jobs to the workforce of 750. Similarly, FII Group, which has expanded rapidly and created jobs in recent years, estimates that without automation its labour force would be 50 per cent larger.

Technology has cut the industry's cost base; whether it has boosted sales of British footwear is more difficult to discern. Yet automation, accompanied by the changing structure of shoe retailing, might create a more favourable climate for British manufacturers.

A feature of shoe retailing in the 1980s has been the growth of large multiple retailers—such as the British Shoe Corporation, Clark and Marks and Spencer—at the expense of small specialists. Technology should, in theory at least, enable British suppliers to be faster and more flexible in responding to volume orders needed by these multiples—and to steal a march on overseas competitors.

Black Country awarded £160m to attract investment

BY HAZEL DUFFY

THE Government plans to spend £160m in the Black Country area of the West Midlands in an effort to attract private-sector investment and create up to 20,000 jobs.

Mr Nicholas Ridley, Environment Secretary, who officially launched the Black Country Development Corporation yesterday, said the aim was "to rebuild the community."

9.9 sq mile area between

Birmingham and Walsall has been designated within the corporation, which has taken over the planning powers that normally reside with local authorities.

Much of the land is derelict after the closure of manufacturing and metalworking plants, but it also includes housing.

One of the main tasks to be tackled by the corporation will be the assembly of land, now in

the ownership of companies and public authorities, into packages large enough to be cleared in preparation for private-sector investment.

Mr Ridley said that shops, banks, colleges and schools had to be provided, and an atmosphere that would attract businessmen needed to be created.

The development corporation is one of four in the programme announced by the Gov-

ernment last autumn. The others are in Trafford Park, near Manchester, Tyneside, and Teesside. This second group followed the creation of urban development corporations in London Docklands and on Merseyside in the early 1980s.

Outline plans for a new phase of UDCs were drawn up before the general election. They would cover smaller land areas than those set up so far, and call for

less public funding. The announcement of their location, however, has been held up pending the outcome of the Treasury public spending round.

Public funding of the Black Country and the three other development corporations is small in the first couple of years. But it will build up to a planned total of about £600m for all four over the next six years.

Life groups show big rise in new business

BY NICK BUNKER, INSURANCE CORRESPONDENT

MUTUAL LIFE insurance companies are reporting big increases in their new business figures for the first half of 1987 because of the surge in house prices and rising equity markets. Some also say that the Financial Services Act is starting to determine the flow of money to life companies six months before it is fully implemented.

Standard Life, based in Edinburgh and Europe's biggest mutual life office, said its UK ordinary business accounted for £83.5m in new annual premiums in the six months to May 15, 77 per cent up on the same period in 1985-86. New single premiums rose 45 per cent to £242m.

Eighty per cent of Standard Life's UK ordinary business is sold on a "with-profits" basis, 13 per cent is unit-linked and 6 per cent is term assurance. Standard Life said the proportions were about the same as in 1986.

Figures collected by Scottish Financial Enterprise show that for the Scottish life industry as a whole, new annual premiums were up 35 per cent at £224m in the first half, while new single premiums rose 54 per cent to £252m. The figures cover the eight Scottish mutual life companies and one shareholder-owned company, Life

Association of Scotland. They conceal wide variations in performance, however, with Glasgow-based Scottish Amicable, for instance, reporting new single premiums up 14 per cent to £290.4m but new annual premiums down 11.5 per cent at £43.5m.

Scottish Amicable said the fall-off was due to fewer mail-shot campaigns this year by building societies, which, in 1986, were urging borrowers to switch to endowment mortgages.

Norwich Union, the biggest English mutual, said new regular premiums grew 23 per cent to £68m in the first half. London-based Clerical, Medical and General showed a 39 per cent increase in new annual life premiums to £18.5m, while unit-linked new single premiums were up 106 per cent at £45.3m.

Standard Life attributed much of the growth in its new annual premiums to a big increase in the volume of mortgage-linked endowment assurance business because of the continuing boom in house prices in parts of the country.

Some Scottish life companies believe independent intermediaries are channelling more business towards mutuals because of the "best advice" rule under the Financial Services Act.

Spicer assesses 'models' for future electricity privatisation

BY MAURICE SAMUELSON

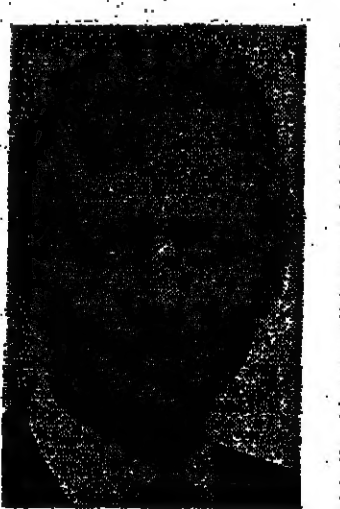
MR MICHAEL SPICER, parliamentary under-secretary at the Department of Energy, is visiting the West German electricity industry this week to see if it could serve as a model for privatisation and possible break-up of electricity supply in the UK. Mr Spicer is studying the biggest of the country's nine regional power boards, RWE of Hesse. Next month he plans to visit utilities and regulatory bodies in the US, possibly followed by a trip to Denmark.

Mr Spicer's fact-finding tours during the parliamentary recess illustrate the pressure on ministers and civil servants to draft legislation for selling the electricity industry by autumn next year.

By about the end of this year, Mr Spicer hopes to inform Parliament of the principles on which the sell-off will be based. That is a considerable task in view of the contrasting proposals for restructuring the industry and the widespread implications for the nuclear industry, for British Coal, which supplies 80 per cent of power station fuel, and for the power station unions, which oppose privatisation.

Senior management in the electricity industry feel strongly that for security reasons it is essential to retain centralised responsibility for running nuclear plants. In the coal industry it is felt that the pressure from imported coal would be stronger than under British Coal's present five-year understanding with the CEBG.

Consumer groups voice the hope that privatisation would



Michael Spicer, facing a considerable task

free the electricity industry from having to pay what they see as a huge "hidden tax" to prop up British Coal.

The Electricity Consumers Council, the statutory watchdog body, which is adopting a broadly positive attitude towards privatisation, is holding intensive consultations. It has compiled a position paper summarising what it believes are the four main scenarios available to the Government. They are:

● A single transfer of assets, which would perpetuate the strengths and weaknesses of the present system while

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UK NEWS

Press bid to print Wright to go before Law Lords

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

FIVE Law Lords were yesterday asked to decide whether newspapers should be free to publish details of allegations against the British secret service made by Mr Peter Wright, a former MI6 officer.

The Attorney General, Sir Patrick Mayhew, and three newspapers, *The Guardian*, *The Observer* and *The Sunday Times*, are contesting the Court of Appeal's ruling in Friday that paper could publish a summary in very general terms of Mr Wright's allegations without quoting him directly.

The Attorney General wants a blanket ban on publication reimposed on the newspapers. They are asking the Law Lords to remove all restrictions stopping them publishing material from Mr Wright.

Although the appeal concerns temporary injunctions obtained by the Attorney General against the newspapers, in practice the Law Lords' ruling is likely to decide the matter.

In the words of Lord Templeman yesterday, this was the

"crunch" hearing. If the newspapers won there would be no point in a full trial; if they lost, the red light will be showing," he said.

On Wednesday last week, Sir Nicolas Browne-Wilkinson, the Vice-Chancellor, ended temporary injunctions imposed on the *Guardian* and *Observer* in July last year and refused to renew an injunction stopping the *Sunday Times* serialising Mr Wright's book, *Spycatcher*.

He said the law would be made an ass if the injunctions were continued now that *Spycatcher* had been published in the US and copies were being brought into Britain with the Government making no effort to stop importation.

The Appeal Court decided that the US publication had not affected the Government's contention that members of the security services owed a duty of confidentiality to the Crown and therefore could not publish their memoirs.

The three appeal judges recognised, however, that the US publication required a modification of the original blanket ban.

They said that pending full trial of the Attorney General's action, the newspapers could report on Mr Wright "as legitimate news" but not "act as publishers or publicists."

In the House of Lords yesterday, the presiding judge, Lord Bridge, a former chairman of the Security Commission, observed that the Appeal Court had decided that Sir Nicolas's error had been to regard it as an "all or nothing" matter.

He had not considered the sort of "halfway house" injunction made by the appeal judges, which neither side had sought, and with which both were dissatisfied.

Lord Bridge also commented that, as far as security was concerned, the entire contents of *Spycatcher* were now known to every security service in the world — "friendly or less friendly" — and to anyone in the UK sufficiently interested to obtain a copy.

The hearing continues today.

Wales 'is becoming a land of opportunity'

By Anthony Moreton, Welsh Correspondent

WALES WAS moving away from deprivation to the point where it was becoming a land of opportunity, Mr John Williams, Welsh Development Agency chairman, said in Cardiff yesterday when presenting the 1986-87 report and accounts.

He said the principle had reached a most exciting point in its development. The agency's role was to help Wales to grasp its opportunities because "talk of opportunity attracts enterprise and private money."

Wales built on its firm base last year and progress had continued: company starts in the first quarter were above the UK average while failures were below it; Wales had the highest rate of self-employment of any region; unemployment had fallen every month since April last year; job vacancies had risen by 12 per cent over the previous 12 months and the index of production and construction in this first quarter was 5.4 per cent higher than 12 months earlier.

Mr Williams said: "Wales has far too long been accustomed to seeking public support by proclaiming need, disadvantage and putting forward negative propositions."

However, Wales was now moving into a different economic league where people behaved differently and had different expectations. Wales could meet these expectations.

He said there were still blackspots, especially unemployment, which was uneasily high. However, factory lettings continued to run at a high level and demand for bespoke properties — those built with a specific client and its needs in mind — continued to run at record levels.

Gross letting should exceed 2m sq ft for the third consecutive year. Vacant space had fallen to its lowest level, under 10 per cent of total stock. Rent levels were rising and approaching the £3 to £3.50 a square foot level at which the private sector should begin to show more interest.

The latest valuation of property assets, by Driven Jones, showed that the figure had risen to £123.8m at last March 31, a 30 per cent rise on the previous survey, in 1986.

The annual report shows that the agency invested in or helped sustain 132 companies and that every 23 invested brought in another 37 from the private sector. In the year, Wales secured 61 projects from overseas, compared with 48 in the previous year, which should create or safeguard 6,000 jobs. Another 36 concerns relocated jobs from other parts of the UK, bringing 1,265 jobs.

The agency is to sell its prime Maesteg industrial estate in Newport for £2m to a consortium of private investors, having been let by the Welsh Development Agency and Bristol and Mendip Estates.

WDA: Report and Accounts, 1986-87; WDA, Pearl House, Cardiff.

Government to seek training changes despite MSC doubts

BY PHILIP BASSETT, LABOUR EDITOR

THE GOVERNMENT is to press ahead with proposals for radical changes to its programme of special employment and training measures in spite of sharp criticism of its plans from the Manpower Services Commission.

The MSC last week publicly voiced wide-ranging doubts about the Government's proposals, including plans to take the network of 1,000 Jobcentres into the Department of Employment, withholding benefits from unemployed school leavers who refuse to join training schemes and increasing employer representation on the MSC, which will minimise the role on it of the unions.

But the Government is expected to make a statement this week making clear that it intends to proceed with its proposals in spite of the MSC's view.

Mr Norman Fowler, the last

Friday made his first visit to the MSC's headquarters in Sheffield, yesterday emphasised the "crucial role of the MSC as the primary national training agency."

Sir speaking in London to labour and industrial journalists, he said of the forthcoming statement that it would be "unwise to envisage that there will be any major changes" to the Government's plans.

Sir Bryan Nicholson, the MSC chairman, says that in private discussions with Mr Fowler, he has been assured that the Government will be open-minded on many of the criticisms raised by the MSC.

But Mr Fowler insisted yesterday that "the chairman of the MSC understands the Government's position."

Maintaining that there were no differences between the Government and the MSC on the issue, Mr Fowler said:

"What I cannot do is to commit myself to making changes to a policy which has been set out very fully and to which we have given every notice in the last few weeks and prior to the election as well."

He said the Government intends to draw the extra employer representatives on the MSC not from the CBI, but from sectors that are helping most to provide new jobs — tourism, financial services and small businesses.

Mr Fowler is to meet the CBI over its reservations about some aspects of the Government's proposed industrial relations legislation. The CBI, with some other employers' bodies, is concerned about plans to allow union members to break properly constituted strikes without fear of subsequent disciplinary measures. Mr Fowler also forecast a continuing fall in unemployment.

BBC to announce TV details

BY RAYMOND SNOODY

THE BBC will tomorrow announce details of the commissioning of 100 hours of television programmes from the independent production sector.

The programmes, worth £4m and covering a wide range, excluding news and current affairs — will be the first large package of independent production to be commissioned by the BBC in response to the Government's policy on independents.

Mr Douglas Hurd, the Home Secretary, had said in the Commons that the Government wanted to see independent producers gain access to 25 per cent of Britain's four national television channels in four years.

This was repeated in the Conservative election manifesto. The BBC's director of programmes, Mr Michael Grade, BBC television's director of programmes, will make good a promise made by Mr Michael Checkland, the BBC director-general, on March 31 when he said the £4m would be found for the 1987-88 financial year.

Mr Checkland also pledged

at the time that £20m would be found to fund the commissioning of more than 500 hours a year from independents in 1990.

Independent producers have been surprised to find that the £4m will come out of the £20m and not in addition to it as Mr Checkland appeared to imply. They also want to be certain that the announcement will be in addition to the BBC's present involvement with independent production.

The independents point out that the average price per hour of the £4m package is £40,000, considerably less than the £53,000, which they say is the average hourly cost of BBC network programmes.

Although the corporation is seen to be negotiating in good faith, independent producers say they are a very way from agreeing to the normal terms of trade governing business relations between the BBC and the independents.

Relations between the inde-

pendents and the ITV companies have become much more tense with accusations that ITV is deliberately slowing down the negotiations.

Mr David Shaw, general secretary of the Independent Television Companies Association, denied yesterday that ITV was deliberately slowing down the process. But he added: "We must not hide the fact that because of our federal and regional structure we have got problems so far as encouraging independent production in the regions."

The Independent Broadcasting Authority has suggested that the ITV companies should take about 500 hours of national and regional programmes from the independents by 1989 on a "voluntary" basis.

Talks have stalled, however, with the independents seeking central terms of trade or guidelines for issues such as production fees, copyright and the exploitation of foreign rights to programmes.

Virgin Atlantic supports merger of BA and BCal

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

VIRGIN ATLANTIC AIRWAYS, the independent airline flying in competition with British Airways and British Caledonian to New York, believes the proposed merger between BA and BCal should go ahead, subject to three reservations. They are:

● That the UK does not give away its rights for two airlines to fly to New York, Los Angeles and Hong Kong.

● That there is protection against monopolistic charging for aircraft maintenance services by the organisations in the UK to provide them: BA and BCal.

● That there are controls to prevent the combined BA-BCal having undue preference in takeoff and landing slots at Heathrow and Gatwick.

Virgin's submission to Sir Gordon Borrie, Director-General of Fair Trading, says British has fought hard for the right to have two airlines fly

the same route. Virgin says that is healthy, producing lower cost long-haul travel.

Virgin says: "As the merger stands at present, BA and BCal intend to fly to New York as one carrier, preventing true competition."

Virgin would bring to these routes all the advantages of low fares and high service standards, providing an alternative British competitor to the US mega-carriers, as it has successfully done in Newark and Miami.

Mr Michael Bishop, chairman of British Midland, said yesterday that while his airline had been approached by several interested parties with a view to leading an independent airlines group to seek to acquire British Caledonian no decision had been taken. He said the proposed takeover should first be referred to the Monopolies Commission.

Tourism 'plays key part in job creation'

By David Churchill, Leisure Industries Correspondent

BRITAIN'S tourism sector is increasingly seen as an important part of the job creation network, Mr Norman Fowler, Employment Secretary, said yesterday.

Jobs in tourism have grown by more than 25 per cent over the past 10 years and are increasing at a rate of 56,000 a year.

Mr Fowler, speaking on the publication of the Department of Employment's annual report on tourism, said: "Tourism is thriving and that is a fact."

He added that Britain was "more than holding its own in the world's competitive market, but we must be aware that standards and expectations are rising throughout the world."

The department's report points out that growth in tourism has been a major factor in the success of the manufacturing sector.

EC increases training scheme funds by 64%

By Charles Leadbeater

THE European Commission yesterday increased its funding for UK training programmes by 64 per cent to £436m for 1987. The money from the European Social Fund will help to support almost 1,300 training schemes. It represents 18.8 per cent of the fund's budget. The sharp rise in funding follows applications for grants from 2,065 organisations, the highest from any member state. Of those, 1,761 were given grants.

National training schemes operated by the Manpower Services Commission, such as the Youth Training Scheme, were allocated £234m. Local authority training agencies will be the other main beneficiaries. About £78m will be spent in the north-west, more than £64m in the West Midlands and £53m in Northern Ireland.

Mr John Cope, Employment Minister, said: "The Government welcomes this support which will help skills training, especially for the more disadvantaged groups in the workforce, and contribute to reducing unemployment."

The schemes involved range from relatively small projects aimed at integrating the disabled into companies to large programmes designed to train young people in computer-aided design and electronics.

Perkins transfers Gardner diesels to LRT unit

By Nick Garnett

PERKINS Engines said yesterday that it was transferring its assembly of diesels made by its Gardner subsidiary from Gardner's plant at Patricroft near Manchester to Bus Engineering in Chiswick, London.

Perkins is a wholly-owned subsidiary of the Regional Transport and Specialised in overhauling buses, including the remanufacture of Gardner engines used in them. It was put up for sale by LRT only two weeks ago.

The move to Chiswick will increase speculation about the long-term survival of the Gardner facility in the north-west, which Perkins bought from Hawker Siddeley last year.

Perkins said yesterday, however, that engine machining operations would remain at Patricroft "for the foreseeable future". The site contains some advanced flexible manufacturing equipment.

The Patricroft plant employs 390 people. Perkins, part of the Varty Corporation of Canada, said the move of assembly and engine test operations to Bus Engineering would result in the loss of 45 jobs at Patricroft. It hoped that could be achieved by voluntary agreement.

The engines range from 150 hp to 350 hp and will continue to be marketed by Gardner as part of the Perkins group.

Gardner, which employed 2,500 in the late 1970s, has found market conditions difficult. Mr John Devaney, Perkins Engines' managing director, said the company had spent some time reviewing the possibility of a joint venture for Gardner to produce engines at competitive prices.

Appeal over spy book launched

BY CHRIS SHERWELL IN SYDNEY

THE BRITISH Government yesterday carried its lengthy campaign to suppress the memoirs of Mr Peter Wright, the retired counter-intelligence agent, to the New South Wales Appeal Court.

The appeal is against a State Supreme Court decision last March refusing Britain an injunction to prevent publication by Heinemann.

It is expected to last all week and might still go to the High Court in Canberra.

As proceedings got under way, Mr Malcolm Turnbull, acting for Heinemann and Mr Wright, branched a copy of *Spycatcher*, the former MI6 officer's book, and urged that restrictions be lifted as it had been published in the US and was fully in the public domain.

"We're not trying to cut away the cause of action," he said. "But we now have something

not seen in Australia for almost a generation: a banned book, a *somewhat*. An injunction is no longer appropriate relief."

The three judges chose instead to consider the actual issues first, and each threw some tough questions at Mr Theo Simos, acting for the British Government, during his submissions.

The most serious doubts were voiced over the need for Mr Wright to remain silent because of an obligation to the British Government arising out of contract, fiduciary duty or some equitable obligation.

There were also strong exchanges over the credibility of Sir Robert Armstrong, the British Cabinet Secretary who was the Government's chief witness in the main proceedings. In response to queries from the bench, Mr Simos said

a powerful plea in support of Sir Robert.

In his main argument, Mr Simos said Mr Justice Philip Powell had erred in basing his decision principally on whether the information in Mr Wright's book had lost its confidentiality through being published elsewhere.

The correct question to be answered, Mr Simos argued, was whether publication would cause additional detriment — even where previous publication was of Mr Wright's book in the US or of extracts elsewhere.

In the British view, such additional detriment would be suffered, and the British Government wanted the publication in Australia to be prevented. Mr Wright to be restrained from publishing it through media interviews or lectures, and the proceeds from sales to be handed over.

More work on poll tax urged

BY PETER MIDDLE, POLITICAL EDITOR

FURTHER work was ordered last night on the timing of the introduction of the proposed universal community charge to replace domestic rates.

A Cabinet committee, chaired by Mrs Thatcher, yesterday afternoon failed to reach any conclusions after 90 minutes of discussion on the transitional arrangements for England and Wales.

Officials said afterwards that the options had been narrowed and the Department of the Environment has been asked to do more work on possible schemes.

Consequently, a ministerial meeting provisionally arranged for today has been postponed and the special committee is likely to re-examine the subject later this week, probably on scope for a further increase in Thursday when the full Cabinet is due to hold its last meeting before the summer holidays.

There has been disagreement between Department of Environment ministers and others, notably the Treasury, over the transitional arrangements. Mr Nicholas Ridley, the Environment Secretary, has been pressing for as rapid an implementation as possible with other ministers urging a phased changeover.

The discussion follows the committee's decision a fortnight ago to phase in the community charge over a number of years rather than introduce it immediately as in Scotland.

The decisions will cover the length of the transitional periods in different parts of the country, particularly the expected variations in inner London and Wales compared with the rest of Britain, as well as safety net provisions to limit the immediate impact, and the new grant system.

After the completion of those decisions, the Government is

planning a propaganda campaign to convince opponents and doubters among Tory MPs and the public of the merits of the scheme.

Ministers are concerned to counter an apparent increase in opposition to the scheme. A Gallup poll in yesterday's *Daily Telegraph* showed that 54 per cent of the public opposed the plan with only 38 per cent in favour. A similar survey in February showed that 45 per cent of the public supported the proposal with 39 per cent against.

Mr Jeff Rooker, Labour's new shadow local government spokesman, last night strongly attacked the plan in a speech in his Birmingham constituency. He said Labour would be demanding a commitment from the Government that the legislation would not be gutted to limit the length of the debate.

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MANAGEMENT: Small business

Home computers

Pick yourself up...

Paul Johnson tells Peter Marsh how he has learned from his failures

BY HIS own admission, Paul Johnson has learned about technology-based business the hard way. Blooded by two intensely interesting but ultimately unsuccessful ventures in home computers, Johnson feels he has hit on the right course by setting up a research consultancy, called Array Consultants, which specialises in customised integrated circuits.

At the age of 35, Johnson is a veteran of the UK home-computer industry. In 1980, he helped to set up Tangerine, a Cambridge-based electronics company which founded after having a fleeting success with the Microtan and Tiger computers.

After this, Johnson became a founder of Oric, another company that prospered for a while — in its first year, in 1982, the company sold 100,000 computers — before it collapsed early in 1985. About the same time, a cluster of other UK home computer concerns, among them Acorn and Sinclair Research, hit similar problems.

The Oric failure, which followed a sudden downturn in the UK home computer business around Christmas 1984, could easily have been a disaster for Johnson, who has a PhD in electronic engineering but had no formal business training. He was out of work and had just taken out a mortgage on a £200,000 house in Ascot in Berkshire.

Instead he elected to apply the lessons of the two failures. Undeniably helpful were his personal characteristics. Johnson

gives the impression that, once he has decided to do something, he does not easily give up.

He is also affable and one of life's optimists. If you ask for a copy of his company's brochure, he will probably hand over a dozen in the hope that you may pass on a few.

Speaking of the early forays by himself and others among the pioneers of the UK's home computer industry, Johnson says: "We all thought computers were going to be the industry of the future and that we would have nice little businesses. We all thought technology was all-important, but of course it isn't."

Johnson's experiences, he says, taught him to think about marketing and management. Looking back, he reckoned Tangerine and Oric might have attempted to grow too big, too fast. He adjusted his ambitions.

Initially, at least, Johnson had little choice in this last matter. After setting up Array Consultants early in 1985, using as a base a converted garage in his house, business was difficult to come by. He existed on virtually no income for six months, he fell behind on his mortgage repayments and bailiffs were on the point of repossessing his house.

Johnson took on his first employee only in March last year. "It was a tough struggle," he says.

The outlook is now reasonably bright. Johnson employs a total of four engineers, with four more due to join by the end of the year. The company is soon



On the way to establishing his third venture in the computer industry, Paul Johnson ran the risk of bailiffs repossessing his home

facturing disciplines, even if, nowadays, he is not involved with them directly. This helps him, he says, to appreciate customers' problems. "There are a lot of designers and consultants who don't have hands-on experience."

A second factor is that Johnson has opted for a simple approach to business. In his time with Tangerine and Oric, he says he tended to go along with, and to some degree be affected by, the hype attached to the then emerging home computer industry. The glamour attached to the industry may have deflected attention away from the real commercial issues.

"Business is common sense," says Johnson. "The trouble is that, often, you can't believe it's common sense."

As part of this approach, Johnson runs the company en-

tirely by himself. Having co-directors or shareholders — which were present in the case both of Tangerine and Oric — only complicates life, believes Johnson. "Anything that looks dodgy, I walk away from. I'm taking things steady." He disdains the idea of taking money from venture-capital companies.

Finally, Johnson has been lucky with a couple of people he got to know. The first was his bank manager, Barry Evans, of Barclays Bank in Sunningdale. Evans let him have an overdraft of £100,000, even when prospects for Array Consultants looked distinctly uncertain. "The bank manager was convinced that I could do what I said I would do," says Johnson.

The second person was John James, who is now in his 60s and who was once a leading

manager and colleague of Lord Weinstock at General Electric Company, the UK's biggest electronics group. To Johnson's great good fortune, James, with his lifetime's experience in business, is the younger man's next-door neighbour. The two have become friends.

Every month, I take my business plan next door and he reviews it. He has given me advice and encouragement to stand on my own feet. I could not have got this far without him," says Johnson.

As for the future, Johnson hopes his business will grow at a steady rate. By about 1993, he would like to employ 50 people. Above all he will keep his feet on the ground. "You are not going to make yourself a multi-millionaire in a couple of years. A few do, but they are the lucky ones."

Survival and the family factor

BY IAN HAMILTON FAZEY

WHY DO small businesses fail? Which have the best chances of survival and growth? Research by Business in the Community into enterprise agencies throws interesting light on these questions.

The research, published last week, was principally about the contribution enterprise agencies in the UK make to the small business sector, but in studying successes it revealed the other side of the coin too.

The biggest portion of businesses that failed came into the "micro" rather than "small" category. They employed an average of 1.4 people, including the owner, and turned over less than £20,000 a year. The largest single reason for failure was under-capitalisation, but other factors also came into play.

The total failure rate in the sample of 338 businesses was 15.4 per cent, or about 1 in 6. The businesses were selected from among the clients of enterprise agencies founded before the end of 1985, which means that the survivors had been going for three years at least.

There was no significant difference in failure rates between enterprise agencies, but a bias was found when the clients were grouped geographically. Location within Britain undoubtedly helps survival. Businesses in the south had a better chance than those in areas of high unemployment.

There are probably two reasons for this. The first of which is that more people who set up where unemployment is low and jobs are available do not have to do so.

Where people in the north may use the enterprise allowance scheme — which pays £40 a week for a year to help people get started — as a means of getting off the dole and into self-employment, the motivation in the south may well be much more positive.

The other reason is sheer economic buoyancy. Much small business trading is with other small businesses. The market is better in the south, encouraging more effective entrepreneurialism.

The research also revealed a sex bias. Small businesses did better than a male failure rate of 14.4 per cent against the female 22.5 per cent. This was despite there being many more men in small business — 62 per cent of the businesses were owned or run by men, compared with 34 per cent by women and 4 per cent by couples.

However, family support was another crucial factor in success or failure. The sample breakdown showed that 88 per cent had family support within the business but 42 per cent did not. Those with family help or workers had a failure rate of only 10.4 per cent compared with 22.1 per cent for those where family support was lacking.

The risk of failure seemed to diminish with size of business. Businesses turning over less than £20,000 a year had a 31.1 per cent failure rate while for those with sales between £20,000 and £50,000 the rate almost halved to 16.3 per cent.

Once a business passes £50,000, however, its chances of survival increase dramatically. The dynamics of small business life help explain these figures. Most businesses under £50,000 of turnover a year do not have to register for VAT. Many will involve people trying self-employment as an alternative to joblessness.

If a job comes up, they will go back into employment and clients were grouped geographically. Location within Britain undoubtedly helps survival. Businesses in the south had a better chance than those in areas of high unemployment.

There are probably two reasons for this. The first of which is that more people who set up where unemployment is low and jobs are available do not have to do so.

Working capital from the bank will usually be more substantial, which increases pressure to run the business properly, as do the likelihood of the business owner's house providing collateral for bank loans and half a dozen jobs depending on the business's survival.

This in turn will usually mean better management accounting for day-to-day control and a more determined attitude towards achieving success.

These things can be helped enormously by seeking advice from the local enterprise agency, which helps explain, too, the survey's finding that the chances of survival for agency clients are double those of people who go it alone.

In brief...

FRANCHISING is increasingly providing the answer for people wishing to establish their own businesses with less risk attached than if they set up entirely on their own.

Over the next four years business accounted for by franchised companies is expected to reach £8bn.

The Institute of Directors and the British Franchise Association are holding a conference in London on September 10 which will aim to explain how benefits of franchising can be maximised

and the pitfalls avoided. Guest speakers will be James Gulliver, chairman of the Argill Food Centre which aims to encourage people to start their own businesses.

More than 60 different businesses intending to expand their outlets in the south and south east have attended the Brighton show, ranging from car valeting services to grocery retailing. The exhibition is called Enterprise '87 and it will be continuing on to Leeds, Newcastle and Bristol over the next few months.

The exhibition is owned by Acumax, of Drevitt House,

865 Ringwood Road, Bournemouth, Dorset BH11 8LW.

THINKING of a business idea is one thing. Putting it into practice is quite another. One of the surest ways of ending up a failure is to give insufficient thought to the parameters of a proposed business, what market it is entering at precisely, where it should be sited, how it can be funded and a host of other questions.

A practical work book written by A. W. Miles, of the Department of Management and Organisation Studies at the Sheffield City

Polytechnic, offers a solution to the problem. It provides, with practical examples, the means by which a business plan can be written. It asks the pertinent questions, and presents the type of answers which a budding small business person should come up with.

It starts by explaining how a business proposal and description can be set out, and follows through with chapters on marketing proposals, operational management, how to decide on premises, financial budgets and forecasting, book-keeping and accounting (and the types of

proprietary system available), and contingency plans.

The checklist and aids even include such detail as how to set out a daily work plan time-table. Specific examples are given of what this might look like for a self-employed jeweller/silversmith and a small owner-managed engineering company.

Business Plans — a Workbook for Self Employment and Small Firms, available from Pacific Publications, Sheffield City Polytechnic, 36 Colledge Crescent, Sheffield S10 2JZ; price £5.95, including p and p.

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TECHNOLOGY

WORLD GAS RESOURCES

Deep thoughts on a hot topic

By Lucy Kellaway



Six kilometres underground in the middle of Sweden, a drill is painfully working its way through hard granite. The engineers of a \$14m project to discover gas deep in the ground must be having a tough time. The money is nearly all spent, and still they have not had the satisfaction of seeing a blue flame lit at the top of the well.

Yet Professor Thomas Gold, the father of the scheme, appears well pleased. Although the project has not resulted in a commercial gas discovery, he says it has provided firm evidence in support of his revolutionary theory about the origin of gas.

For the last dozen years Professor Gold has been waging a quiet war against the view that oil and gas are made of rotting plants and animals. He maintains that the true source of hydrocarbons lies deep in the mantle of the earth where it was trapped at the time the earth was formed. Sixty times lighter methane gas has been escaping and slowly rising up to the surface.

Until fairly recently Gold—whose previous research has included a study of the inner ear and the development of the steady state theory of cosmology—was not taken too seriously by geologists. Now armed with a wealth of evidence and argument, summarised in his new book "Power From the Earth", Gold's progress is being watched keenly by geologists, even though their interest is still heavily peppered with scepticism.

To the layman, at least, the theory has great appeal. If true,

it would mean the end of the world's energy problems for many years to come. Instead of hydrocarbons existing in small quantities where localised puddles of vegetation have rotted and become trapped in the rock, it would imply that there are vast supplies of gas waiting to be tapped at levels deeper than those usually probed.

It would also imply a radical shift in power from the countries that are now major oil and gas producers. Gold gleefully points out that it would free the world from "the big value in the basement of the Kremlin", and almost certainly

The theory would mean an end to energy problems for many years to come

mean a dramatic fall in the cost of energy.

The Swedish drilling project is the first proper test that the deep-gas theory has been subjected to. The hard granite of the Siljan Ring—the biggest meteorite impact crater in Europe—was chosen as a site in which there was a negligible chance of finding gas of biological origin, while the small traces of gas that had been observed in the area indicated that hydrocarbons might nevertheless be there to be discovered.

Two findings from the experiment have led Professor Gold to declare it a success—although neither has been enough to sway the sceptics. The first well hit small pockets of gas at depths below 3 km which he says "makes it clear that gas is indeed streaming up through the broken rock." However, Gold's opponents are not so sure, and claim there are alternative explanations for these small shows of gas, which they say do not prove anything.

Perhaps more difficult to explain away is the discovery of a large mass of porous rock at a depth of about 8 km.

The existence of large pore spaces at such depths was precisely what Gold was hoping to discover. The conventional view

is that porous rocks are not likely to be found so deep, as any holes would be squashed by the pressure of the rocks above. Gold argues that the pressure of the gas rising up from below both creates the pore spaces and keeps them open.

In his theory, there is a critical level at about 15,000 ft where the rocks are not strong enough to support the pressure of those above. The rock then collapses, and forms a barrier under which the gas collects. Eventually the pressure of the gas underneath builds up until it breaks out—either dramatically through a volcano or an earthquake, or quietly by seeping slowly through a crack into the atmosphere.

While most geologists would admit surprise at the discovery of porosity so far underground, they say it could be explained by some alternative process of fracturing.

If the Swedish experiment manages to prove that the holes contain gas rather than water the critics will have a much harder time dismissing Gold's theory.

However, due to the difficulty of drilling so deep through granite, it is still unclear whether the pore spaces are filled with gas or not.

The heavy drilling mud being used to prevent the rock from crushing the drill bit was sucked into the holes, displacing whatever was lurking there. Although Professor Gold says he is "reasonably sure" that the holes must have been filled with gas, because water would not have been displaced so quickly, he admits that this is open to doubt.

A second attempt is being made using water instead of mud, but the water is not proving dense enough to withstand the pressure of the rock and the drill tends to get stuck.

Professor Gold hopes that having got so far, more money will be committed to the programme so that the contents of the pore spaces can be determined, and perhaps a vast gas reservoir discovered.

He also hopes that similar experiments will be conducted in other parts of the world, although so far there is little evidence of much enthusiasm. This reluctance is not hard

to understand—the cost of drilling rises exponentially as the depth increases. While drilling to 3,000 feet might cost \$100,000, drilling five times as far to 15,000 feet could cost 100 times as much. Sums of this kind are greater than most companies would want to spend on a theory the status of which is so far from established, and explain why nearly ten years have passed before Gold's theory has been subjected to any serious kind of test at all.

Indeed, cynics have gone so far as to suggest that the decision by the Swedish Power company to conduct the experiment was largely political—a

Risk-aversion on the part of major oil companies could prove very shortsighted

sop to the powerful anti-nuclear power lobby in Sweden.

A senior geologist at one major oil company explained his company's unwillingness to look for deep gas. While he admitted somewhat grudgingly that Gold had "certainly challenged the conventional wisdom," he said that "the chances of making a commercial find are so remote that we wouldn't want to waste time and money pursuing it."

However, Gold gets cross when it is suggested that cost is a real obstacle to putting his theory into practice. He claims that because of the pressure at such depths, if gas is discovered the flow from a deep well will be great enough to justify the extra cost.

If Gold has even a chance of being right, such risk-aversion on the part of the major oil companies—which spend several billion dollars a year in desperate attempts to rebuild their dwindling oil and gas reserves—could prove remarkably shortsighted.

Nevertheless, Gold reasons that the majors have a vested interest in letting any deep gas stay put, and says that they are keen on not decreasing the price of oil.

Meanwhile, the independent companies have been showing a



Professor Thomas Gold: He despairs to think of all the wells that have been drilled and abandoned before the critical level was reached

little more interest in the theory. The GEK Company, a US independent, has spent over \$1bn developing deep gas in Oklahoma, and firmly believes that Gold's theory fits its experience much better than the conventional view of the origin of gas.

Robert A. Heffner III, chairman of GEK, argues that oil companies should "change their basic thinking in a major way." Indeed, if oil is no longer limited to sedimentary basins, whole areas of the world may prove rich grounds for exploration.

Apart from Scandinavia, Japan, and countries like Germany, Belgium and France—all of which are heavy importers of oil—may have large deposits. Not only have oil companies been unreasonably limiting the places in which they look, they have not been drilling deep enough. Gold rolls his eyes in despair to think of all the wells that have been drilled, but abandoned before the "critical level" has been reached.

He is confident that great deposits of the new deep gas will be discovered well within his lifetime (he is comfortably over 60). He imagines a future in which energy consumers all round the world convert their cars and power stations to run on gas, in the comfortable knowledge that enough supplies exist to last them for at least 100 and perhaps 500 years.

Although well used to waiting—he says it was 40 years before his work on the ear gained any acceptance—this time he hopes not to have to. He regards the academic side of the case as proven, and is almost ready to hand over to the industry to go out and drill.

In the meantime, there are a couple of mysteries of the inner ear which he plans to do some more work on.

"Power from the Earth" by Thomas Gold. Dent £12.95.

Green light for Lego schoolrooms

By Peter Marsh

FIVE-YEAR-OLDS who wonder how traffic lights work may soon get a chance to find out by building their own computerised systems.

This follows from a programme started by Lego, the Danish-owned company which produces toy building sets based on plastic bricks, to initiate children in the mysteries of computers.

The company already sells special products for schools that are aimed at helping children to understand mechanical engineering. These products contain moving parts such as gears.

In a further step, Lego wants to introduce computer techniques so that children can learn to control mechanical and electrical systems using a computer. The company is working on products aimed at children aged between five and seven at primary schools.

With a microcomputer (which the school will have to buy separately) and suitable software, children will be able to instruct a set of traffic lights to operate in a set way. The traffic lights themselves will be built using bricks and electrical systems supplied by Lego.

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Similarly, children could amuse themselves by commanding a crane made from Lego to whirr away on instruction from a computer program.

According to Brian Sherratt, head of the education division at Lego UK, such activities are fun and also give children a useful understanding of how computers work.

The products for primary schools are due to be launched next year, after a development programme in which Lego is taking ideas from teachers and other educational specialists on the best way that the computer techniques can be introduced.

The products, based on sets of bricks and electronics, will probably sell for several hundred pounds. They will be launched first in Britain and possibly in other parts of Europe later.

Lego is being helped in the development by Logotron, a software company in Cambridge which specialises in applications of a computer language called Logo, in which the Lego programs will be written. Logo has been widely used in education because of its simplicity.

Two strings to the bow of US design system

BY GEOFFREY CHARLISH

CONTROL DATA, the US-based computer company, claims to be the first to demonstrate integrated electronic and mechanical computer-aided design on a single high-performance workstation.

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3M pulls CD master stroke

US MATERIALS group 3M, which is a major supplier of optical recording discs, is to offer specialised software that will convert magnetic tape data into a form suitable for recording on compact disc read-only memory (CD-ROM)

optical discs. The software, called Laserdisc Origination, should appeal to companies involved in making masters of such discs. It allows their customers to supply data on standard tapes.

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Tangled action to be reopened

**MORGAN GUARANTY TRUST
CO OF NEW YORK v
DEMETRE HADJANTONAKIS**
Court of Appeal (Lord
Justice Mustill and Lord Justice
Nourse): July 23 1987

AN ORDER for summary judgment is incompatible with a stay of the same proceedings; and accordingly, should the question arise, the court should first reach a firm conclusion as to whether a stay is justified and if it is not, then go on to consider whether there is an arguable defence to the claim.

The Court of Appeal so held when allowing appeals by the defendants, Mr Demetre Hadjantonakis and Mr Ioannis Katsikis, from an order by Mr Justice Evans refusing a stay of proceedings brought by Morgan Guaranty Trust Company of New York, and against an order by Mr Justice Saville for summary judgment under RSC Order 14.

Order 14 rule 1 of the Rules of the Supreme Court provides: "(1) ... in an action ... the plaintiff may, on the ground that [the] defendant has no defence ... apply to the court for judgment ... Unless ... the court dismisses the application or the defendant satisfies the court ... that there is an issue ... which ought to be tried or that there is a triable issue ... the court may give ... judgment for the plaintiff."

LORD JUSTICE MUSTILL, giving the judgment of the court, said that during 1979 Mr Hadjantonakis and Mr Katsikis decided to buy a merchant ship. They needed a loan. Morgan Guaranty made an advance to a shipping company controlled by them. The loan was secured by the vessel, but the lenders took personal guarantees from Mr Hadjantonakis and Mr Katsikis.

Subsequently they fell into arrears with instalments. The ship was sold and sold, but the proceeds were insufficient to pay the loan. The lenders then had recourse to them as guarantors, and on their refusal to pay proceedings for summary judgment under RSC Order 14 were commenced.

In the course of exchanges leading up to the transaction something was said, on one side or the other, as to whether and in what circumstances the guarantees would be enforced. When repayments were rescheduled in 1984 the guarantors signed a document acknowledging that enforceability of the guarantees would not be

affected by alterations to the terms of the loan.

The guarantors' evidence was that the lenders had agreed either that the guarantees would not be enforced at all, or that they would be enforced only in the event of culpability on their behalf; and that in any event such enforcement as there might be would not take place in the UK.

The lenders accepted that the subject of enforceability had been touched on during the negotiations, but denied they had ever agreed to any limitation of their rights of the kind indicated in the guarantors' evidence.

Mr Justice Saville suggested that if the guarantors were able to establish an agreement not to sue in the UK, that would lead to a stay of proceedings. He held there were no arguable grounds for saying that the guarantees were not enforceable at all; but by contrast, he held that there was an argument to the effect that whatever proceedings were brought should not take place in the UK.

He then ordered that the lenders should have leave to enter judgment on their claim, but that the question whether there should be a stay should be put back, so that evidence could be taken.

The result was that the action was now in a tangle which only drastic measures could undo.

There were two problems. First, it was not recognised at a sufficiently early stage that there was a possible source of trouble in an order which involved final disposal of the merits by the English court and at the same time acknowledged that evidence might ultimately show that the English court should not be exercising its jurisdiction at all.

Secondly, the way in which the hearing developed concealed the essential difference between an application for summary judgment and an application for a stay.

With the former the court was required to consider whether the defence put forward was arguable.

With the latter there were potentially two questions: whether the parties had agreed to litigate their differences elsewhere, and if so, whether the court should exercise its discretion in favour of enforcing that agreement. In relation to neither question was it enough for the court to hold that the matter was arguable. The issue had to be decided one way or the other. The court must reach a firm conclusion. The case was directly anal-

gous to that of a disputed arbitration agreement, where there was clear authority that the dispute must be decided first before any other question was addressed: *Moderns Buildings v Wals* [1975] 2 Lloyd's Rep 318.

After the hearing before Mr Justice Saville the guarantors applied for discovery and cross-examination of the lenders' witnesses, to test the strength of the arguments for and against the existence of the agreement. The parties mutually acknowledged that for the purpose of the next stage of the proceedings it should be assumed that the guarantors had no arguable case on whether there was an agreement at all, but that there was an arguable case on whether the guarantees were enforceable in the UK.

In the light of those acknowledgments the application was dismissed.

The application for a stay came before Mr Justice Evans. He had every reason to be perplexed. He was faced with two fatal impediments. First, he had no means of testing the conflicting testimony; secondly he was prevented from making up his own mind freely about the import of the pre-contract negotiations because of the mutual acknowledgments.

He did his best to grapple with the problem, but ultimately concluded that a stay should be refused. The guarantors now appealed against his decision, and against Mr Justice Saville's order granting leave to sign judgment.

The court could not, any more than Mr Justice Evans, reach a reasoned conclusion on the grant of a stay, without knowing whether there was an agreement not to sue in the UK.

The issue was arguable. The question would have to go back

to the Commercial Court to be tried, as an essential preliminary decision on a stay.

The Order 14 appeal was subject to the same conceptual difficulty as arose below, in that it was hard to see how the court could properly pronounce a final decision on the merits in advance of a conclusion on whether it should exercise any jurisdiction at all.

There was moreover a practical problem. The question of what was agreed in the negotiations went both to the conditions and the venue of any enforcement.

The evidence on the two aspects of the matter was tightly entwined, and the judge would not be able to examine one without the other.

There was therefore no alternative but to reopen the dispute in both its aspects, without expressing any opinion on whether Mr Justice Saville was right or wrong on the Order 14 application, but on the basis that in the very unusual circumstances of the case there ought (in the words of Order 14 rule 3(1)) "for some other reason to be a trial" of the lenders' claim.

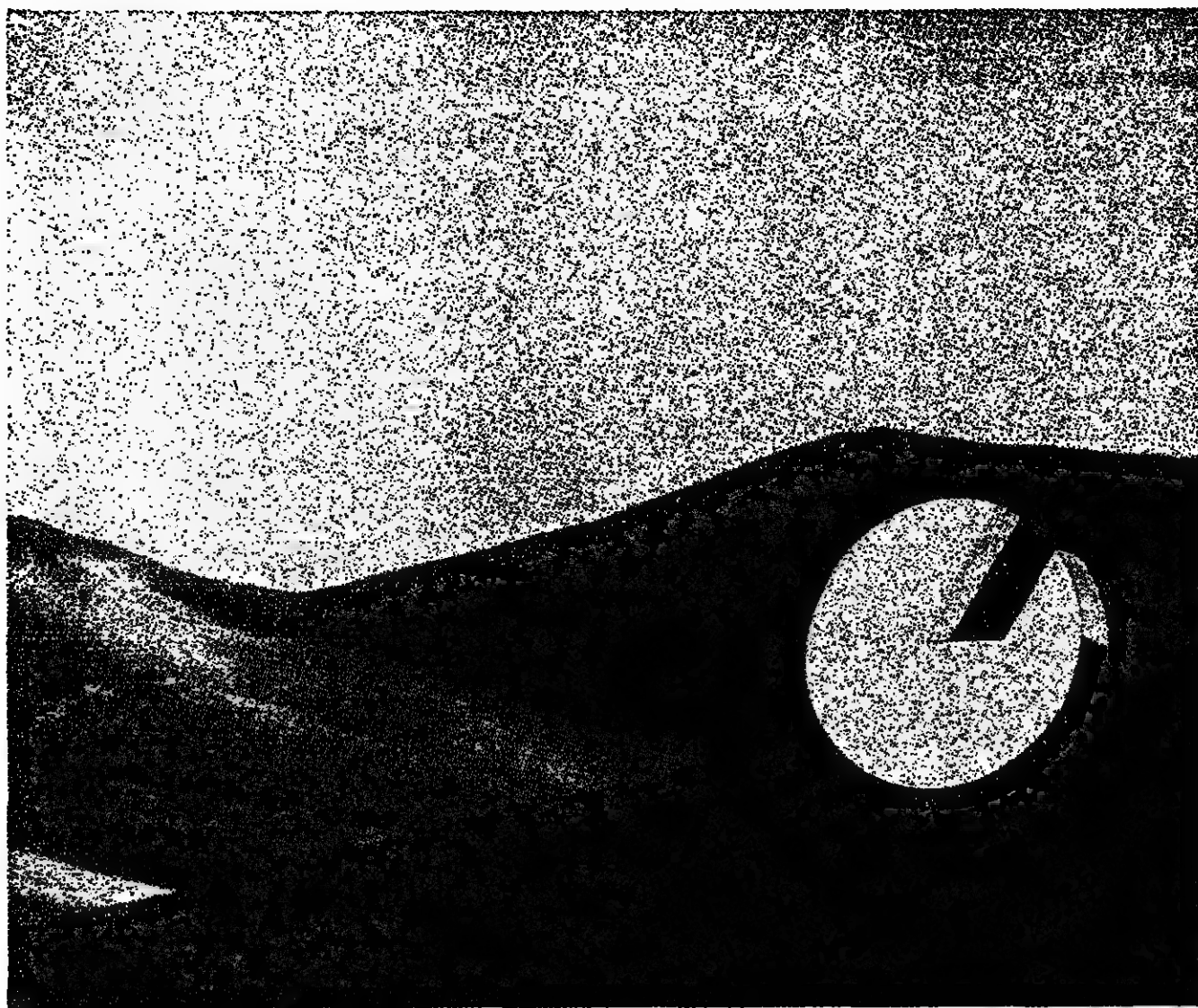
It would be for the Commercial Court judge to decide how best the case should be conducted.

He might hold a preliminary hearing so that the shape of the proceedings could be thoroughly explored and understood. He might then decide to hear evidence on all aspects of the dispute, and in the light of that, decide whether the proceedings should be stayed.

If the answer was affirmative, he need proceed no further. If negative, he would go on to decide whether the lenders were entitled to judgment.

Both appeals should be allowed.

By Rachel Davies
Barrister



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Company Notices

Nordisk Gentofte A/S

The Company will hold the Annual General Meeting on Thursday, August 13th, 1987 at 4.00 p.m. at the Auditorium, 4, Niels Steensensvej, Gentofte, Denmark.

AGENDA:

1. Appointment of the Chairman of the General Meeting.
2. Presentation of the annual accounts, including profit and loss account and balance sheet, with annual report and auditors' certificate, with proposal for adoption of the profit and loss account and the balance sheet, and notification of discharge to the Board of Directors and the Management.
3. Proposed resolution concerning application of the profit of the past year, including decision concerning dividend.
4. Proposed resolutions by the Board of Directors or any resolutions proposed by the shareholders. Further details below.
5. Election of members to the Board of Directors.
6. Election of two auditors.
7. Miscellaneous.

Under item 4 on the Agenda the Board propose as follows:

A. The existing powers of the Board of Directors to increase the Company's share capital by DKK 3,894,000 B-shares is changed to the effect that the Board will be authorised to increase the share capital by up to DKK 50,000,000 B-shares with or without preferential right of subscription for the Company's existing shareholders before July 31st, 1992. The Board may so empowered increase the share capital in connection with free subscription at market price, as consideration of the Company's acquisition of an existing enterprise or of specific capital assets, or in connection with offer to the employees at a price fixed by the Board.

B. The Shareholders at General Meeting empower the Board to acquire up to ten per cent of the Company's share capital at a price between 80 and 110 per cent of the official quoted price at the time of acquisition. Such powers expire on December 31st, 1988.

Admission cards and voting papers are available for collection or by postal application at Den Danske Bank, Fondsmægler, 12, Holmens Kanal, DK-1082 Copenhagen K against proper identification as specified in §12 of the Articles of Association up to and including August 6th, 1987.

The dividend as approved at the Annual General Meeting may - after deduction of withholding tax - be paid beginning Friday, August 14th, 1987 through Den Danske Bank, Copenhagen against surrender of coupon No. 1.

Gentofte, July 1987

signed by THE BOARD OF DIRECTORS

GEOPOND CONVERTIBLE BONDS

NOTICE IS HEREBY GIVEN that the General Meeting is to be held at the office of the Secretary, 43 Boulevard Royal, Luxembourg, on Thursday, August 13th, 1987 at 4.00 p.m.

AGENDA

1. To amend the Articles for the purpose of authorising the Board of Directors to increase the share capital of the Company by up to DKK 50,000,000 B-shares with or without preferential right of subscription for the Company's existing shareholders before July 31st, 1992. The Board may so empowered increase the share capital in connection with free subscription at market price, as consideration of the Company's acquisition of an existing enterprise or of specific capital assets, or in connection with offer to the employees at a price fixed by the Board.
2. The Shareholders at General Meeting empower the Board to acquire up to ten per cent of the Company's share capital at a price between 80 and 110 per cent of the official quoted price at the time of acquisition. Such powers expire on December 31st, 1988.
3. Admission cards and voting papers are available for collection or by postal application at Den Danske Bank, Fondsmægler, 12, Holmens Kanal, DK-1082 Copenhagen K against proper identification as specified in §12 of the Articles of Association up to and including August 6th, 1987.
4. The dividend as approved at the Annual General Meeting may - after deduction of withholding tax - be paid beginning Friday, August 14th, 1987 through Den Danske Bank, Copenhagen against surrender of coupon No. 1.

Under item 4 on the Agenda the Board propose as follows:

A. The existing powers of the Board of Directors to increase the Company's share capital by DKK 3,894,000 B-shares is changed to the effect that the Board will be authorised to increase the share capital by up to DKK 50,000,000 B-shares with or without preferential right of subscription for the Company's existing shareholders before July 31st, 1992. The Board may so empowered increase the share capital in connection with free subscription at market price, as consideration of the Company's acquisition of an existing enterprise or of specific capital assets, or in connection with offer to the employees at a price fixed by the Board.

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Admission cards and voting papers are available for collection or by postal application at Den Danske Bank, Fondsmægler, 12, Holmens Kanal, DK-1082 Copenhagen K against proper identification as specified in §12 of the Articles of Association up to and including August 6th, 1987.

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Gentofte, July 1987

signed by THE BOARD OF DIRECTORS

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BUSINESS LAW

By A. H. HERMANN, Legal Correspondent

Competition: a tale of three cities

THIS IS the time of year when competition watchdogs bark. In the UK, Sir Gordon Borrie, the Director General of Fair Trading published his annual report for 1986 on June 30. The West German Federal Cartel Office brought out their report seven days later and, after another week, the EC Competition Commissioner, Mr Peter Sutherland, came to London to tell the European Business Institute about his problems.

The problems which these three competition enforcement agencies face could not be more different: while the EC one is now mainly concerned about state aid, and the West German about deregulation, Sir Gordon is worried about extra work caused by private attempts to frustrate competition opened up by deregulation and privatisation.

It says something not altogether pleasant about the state of the UK that a large part, perhaps a quarter, of Office of Fair Trading (OFT) resources is absorbed by regulation of consumer credit. There was an 11 per cent rise in the number of applications for money lending and debt collecting licences — by July 1986, the total number had reached 200,000. At one end of the scale, shady money lenders exploiting those who cannot make ends meet; at the other, large reputable institutions which constantly fill my letter box with unsolicited offers of credit.

The first category is despicable, the second is respectable but probably more damaging to the economy. The 20-25 per cent per annum interest may add to production costs through pressure on the wage bill, not to speak of the effects such as inflation and consumer credit has on inflation and the balance of trade.

The effects of consumer credit inflation are probably made worse by the near impotence of the OFT to proceed against cartels. This is how Sir Gordon describes his position: "With almost Glibertian absurdity, I find myself having to possess

sufficient evidence of a cartel's existence to convince a court, before I can issue a formal notice to the parties inquiring if they have a cartel agreement between them."

In 1986, the OFT considered 313 mergers compared with 192 in 1985. "These 313 takeover bids were aimed at targets with total assets of £123bn."

Mergers in banking and finance headed the table. The 38 bids in this category, 11 by foreign institutions, aimed at £47bn of assets—an average of £1,236m per bid. The same number of bids in food, drink and tobacco sectors aimed at assets worth £23bn. Other active areas were distribution (30 bids: £7bn), business services (28: £3bn), ancillary financial services (25: £6.5bn) and mechanical engineering (20: £5.6bn). These are the statistics of the Big Bang. Is such pace of concentration good or bad? How often does it improve efficiency and competitiveness in the world market? Sir Gordon does not say.

As there is not much the OFT can do against consumer credit expansion, cartels and mergers, it turns its attention to restrictive practices in the professions and all sorts of unfair trading. Indeed the report leads one to the conclusion that an economic unitary trading would not come amiss.

The report of the Federal Cartel Office (FCO), for the years 1985 and 1986, underlines that the internationalisation of competition makes it increasingly subject to trade policy. "Actual or potential foreign competition can prevent market dominant situations at home only when the foreign competition is not restricted by protectionist measures."

Like in the UK, the number of mergers in West Germany reached a new peak, with 808 completed in 1986. However, more than 70 per cent of the mergers notified in 1985 and 1986 were acquisitions of small and medium-sized enterprises with a turnover of no more than DM 50m (£17m). Only 3 per cent of mergers concerned the acquisition of enterprises with

a turnover of DM 50m and these 52 cases were mainly a West German offshoot of mergers taking place abroad, particularly in the US. Within the reported period falls, of course, the biggest West German merger so far, between Daimler-Benz and AEG.

The FCO states that the effect of mergers on competition was in most cases slight because of the small turnovers involved and because many of the mergers were really acts of financial reorganisation. A number of mergers was viewed by the FCO as benefiting competition, when the merger enabled a foreign competitor to enter the West German market.

This explains why the FCO prohibited only seven mergers in 1985 and two in 1986. A quarter of all notified mergers took place between trading organisations. Of the 347 trading enterprises taken over in 1985 and 1986, 68 were engaged in food retailing and had a turnover potential of more than DM 50m. The merger control provided an effective barrier against takeovers by leading enterprises, but the FCO fears that this barrier has been dismantled by the latest decisions of the West German courts which practically reduce the ground for prohibition to market domination by a single enterprise.

The FCO reports that there were 80 mergers in the Press sector and that it is trying hard to preserve the remaining independent papers battling against the regional newspaper monopolies.

The competition department of the EC Commission, much smaller than either the OFT or the FCO, concentrates on three issues, described by Mr Sutherland as "current and practical": state aid, civil aviation and merger control.

The attempt to evaluate state aid from a Community rather than a national perspective is a tall order. As the Commission says, aid to shore up the lame duck industry in one member state may put a viable competitor in another member state out of business. The issues are, therefore, highly political and the Commission relies on sup-

port from the European Court, which recently ruled that aid for which the Commission's approval was not obtained has to be repaid. However, Mr Sutherland assured his audience that state aid for small and medium-sized companies, particularly in the field of research and development, are generally regarded as beneficial.

The attempts to introduce competition into European air transport appears to be even more of an uphill task. The Commission faces resistance from both governments and airlines. It launched a series of proposals for liberalising government controls over fares, capacity and market access. It started direct actions against airlines for infringement of the competition rules, but further positive steps seem to be held up, not only by Spain but also by the European Parliament.

The latter wants to be consulted on the agreement reached at the end of June by the Council of Ministers on procedures for determining scheduled air fares and better access to regional routes. The agreed package, on ice for the time being, includes the prospect of a regulation to apply the competition rules to air transport and to empower the Commission to grant block exemptions for certain categories of agreements and concerted practices.

Finally, the merger mania has encouraged the Commission to revive one of its most cherished and least hopeful projects: the 1973 proposal for Community-wide merger control. It has been twice amended, in 1981 and 1986, but for more than a year there has not been any meeting of the Council working group concerned with this project.

Though objections are directed mostly against details, it seems that some member states are opposed to the very principle of a Community-wide system of merger control.

As it is so much a matter of economic policy and transatlantic relations, one can hardly be surprised. A harmonisation of national objectives on merger policy might be an indispensable prelude to a Community-wide procedure on prohibition and authorisation.

APPOINTMENTS

Senior posts at NatWest

Mr Michael A. Lyden has been appointed deputy general manager of NATIONAL WESTMINSTER BANK'S related banking services division. Since 1985 he has been assistant general manager of the division. He succeeds Mr John Bellamy, now director of group compliance.

The DIRECT MAIL SERVICES STANDARDS BOARD has appointed Mr Michael J. Goodrich as its new chief executive from August 10. The appointment follows the resignation of Mr Goodrich as chief executive of the current chief executive, Mr Robin Fairlie, who leaves to work as a consultant to the direct mail industry. Mr Goodrich was marketing director at London and Provincial Posters.

Mr Charles Mills has been appointed managing director of WATERLOW, PETTY, BUSINESS FORMS, part of the BPCC Printing Corporation. He was commercial director. The previous managing director, Mr Brian Pettigrew, has been appointed group managing director of the security and printing group of BPCC Printing Corporation. He remains on the board of Waterlow Petty, as chairman.

Mr David Hasell has been appointed managing director of the systems and components division from August 3. He was the UK distribution manager for Intel Corporation.

ATLANTIC COMPUTERS has appointed Mr Michael J. Dwyer as non-executive director, his first appointment to the main board of a public company.

The former chairman of the Conservative Party in Wales, Sir Donald Walters, has been reappointed as vice chairman of the WELSH DEVELOPMENT AGENCY. Sir Donald will serve for a further three years.

Mr Christopher Wahrad has been appointed general manager and director of E. W. PAYNE SCANDINAVIA. Mr Wahrad has worked for Sirius Insurance Company for a number of years, most recently as manager of the commercial and industrial division. Mr Wahrad has responsibility for managing and developing E. W. Payne's existing Scandinavian-based presence.

ALEXON GROUP has appointed Mr Peter Wiegand as deputy chairman. He will retain his responsibility as joint managing director with Mr Lawrence Sawyer.

Newhaven-based PARKER PEN UK has appointed five new members to the board: Mr Stephen Beaumont has been appointed finance director. He joined Parker in 1980 as a trainee management accountant.

Mr John Bennett has been appointed manufacturing director. He has been with Parker for 17 years. Mr Peter Brazier, formerly sales and marketing manager, has been appointed UK sales and marketing director. He has been with Parker for 11 years. Mr John von Spey has been appointed sales and marketing director, distribution division, and Mr Robin Wayman has been appointed personnel director.

Mr Harry Dodd has been appointed director—finance of STEELSTOCK. Mr Gary Mather has been appointed marketing chief accountant at Steelstock in 1972. He returns to the company after a short period in the manufacturing sector. Mr Mather joined Steelstock as marketing assistant in 1972. Since then he has had line experience in a number of the Steelstock product groups.

JOHN L. SEATON & CO. has appointed Mr Ian Brown its marketing director. He will also have divisional responsibility for the marketing of oils, fats and proteins.

Mr Charles Mills has been appointed managing director of WATERLOW, PETTY, BUSINESS FORMS, part of the BPCC Printing Corporation. He was commercial director. The previous managing director, Mr Brian Pettigrew, has been appointed group managing director of the security and printing group of BPCC Printing Corporation. He remains on the board of Waterlow Petty, as chairman.

AYRSHIRE METAL PRODUCTS has appointed a new director to its board. Mr Colin T. Macnaul, who has been appointed in a non-executive capacity, is a director of several Scottish companies.

Mr Richard Pugh has been appointed finance director of WISTECH from August 1. He is currently a partner of Llewellyn Davies and Co.

NKK (NIPPON KOKAN) has appointed Mr Kenichiro Sekine as the new president of NKK (UK). Formerly assistant general manager of NKK's steel export department, Mr Sekine succeeds Mr Sachio Sasabe who returns to Japan to join NKK's Yokohama Yacht Company, a fully-owned subsidiary. Mr Sekine will assume his appointment in mid-August.

Mr Michael J. Hicks has been appointed finance director of the banking subsidiary of AITKEN HUME INTERNATIONAL. His most recent appointment was as manager responsible for business development both in the UK and Ireland with the Bank of Montreal.

NEWCASTLE BUILDING SOCIETY has appointed Mr Allan Cowan, the deputy chief executive, a director.

Mr Henry R. Shouler is appointed a non-executive director of SHARPE & FISHER from August 1. He was chief executive of Oldacre Holdings until

its acquisition by Unigate in 1986, when he left to pursue his private business interests.

WAGON INDUSTRIAL HOLDINGS has appointed Sir Timothy Harford as a non-executive director from August 1. Sir Timothy is an executive director of Singer and Friedlander, deputy chairman of Wolsley and Wesleyan and General Assurance Society and a director of other public companies.

Following the retirement of Mr Anders Stewertz as managing director of SCANIA (GREAT BRITAIN) on June 30, Mr Anders Astrom has become the new managing director. Mr Astrom was formerly director of finance and assistant general manager. Mr Bill Campbell has joined as director of finance. He became finance director at Coventry Climax in 1983.

At LONDON & SCOTTISH MARINE OIL, Mr Tom King will become general manager, engineering and operations on September 21. Mr King will be appointed to the boards of FASMO North Sea and LASMO International Oil Development on that date. Mr King is president and chief executive of Trafalgar House Oil and Gas Inc. in Houston, Texas.

Mr Don C. McCrickard has been appointed chairman of UDT COMMERCIAL FINANCE, the newly-acquired receivables financing subsidiary of United Dominions Trust. Mr McCrickard is a director of TSB group and managing director of TSB Commercial Holdings—the holding company for United Dominions Trust, TSB Group's finance, house, and Swan National, which carries out TSB's motor and travel activities. Mr Michael Kemsley has been appointed financial director of UDT Commercial Finance. Formerly finance controller of Boston Financial, he joined the company in 1984 from the First National Bank of Boston. Mr John F. Bourke, managing director of UDT Bank, and Mr Fred J. Randall, finance director of TSB Commercial Holdings, have been appointed non-executive directors of UDT Commercial Finance.

THE INSURANCE AUTHORITY OF THE ISLE OF MAN has appointed Dr W. J. Hastings as insurance supervisor and chief executive of the authority from January 1 1988. Dr Hastings will be joining the authority on October 1 and will spend three months working with the present supervisor, Mr Duncan Neil.

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FINANCIAL TIMES SURVEY



Crewe and Nantwich grew up in the last century as a proud industrial centre at the hub of the world's first trunk railway system. They are now seeking,

reports **Alastair Guild**, to capitalise on their strategic location and broaden their economy

Engineering a new future

CREWE OWES much of its past to the railway. The stamp of the company that developed the town from the 1840s onwards is still to be seen in its domestic architecture. The houses built to accommodate workers range from the detached villas for senior officials to the row upon row of neat terraced dwellings. Its industry has long reflected this heritage - also. Crewe Locomotive Works was opened in 1843, the year that the Grand Junction Railway arranged a mass migration of all its key staff and their families from Liverpool. In the ensuing 115 years, 7,354 steam engines were built in the works, which at their zenith had a workforce of over 8,000.

But unlike other parts of the country, where the railways went hand in hand with large-scale industrialisation and urbanisation, Crewe, surrounded by pleasant rolling countryside, has remained very much a self-contained town, with its own distinct identity. This is partly reflected in an intense feeling of pride, as evidenced by its well-kept parks, gardens, and immaculate road verges which have won it and its neighbouring town, Nantwich, Britain in Bloom prizes.

Crewe's independence has been apparent also in the ability of its industries to meet the

employment needs of its residents. The borough's 98,000 population and 48,000-strong workforce are concentrated in Crewe and Nantwich. Whereas in other parts of the country, more and more people have become used to travelling some distance to work, in Crewe bicycles are still the preferred mode of transport. In the inner parts of the town, 45 per cent of workers reach work by bicycle or on foot. In England and Wales, the average is 19 per cent.

Out of this independence has grown a stable workforce with a wide range of engineering skills, centered on British Rail Engineering and Rolls Royce Motors. When Rolls, now part of Vickers, first moved to Crewe in 1988, it built Merlin engines but now makes Rolls Royce and Bentley cars. Though these two industries account for 71 per cent of male employment in Crewe, small companies, many of them with an electrical engineering bias, have set up to service them. Rolls Royce recently invited local companies to visit the works to show them what they make, and so buy more locally.

But it has also made Crewe vulnerable to any reduction in those industries' workbooks. The numbers employed at Rolls Royce have fallen by 1,000 since

the beginning of the 1980s, while BREL has announced that 1,000 jobs are to go by March next year, reducing the employment level in the works to 3,000. But both businesses would appear to have turned the corner, and are now on a much more competitive footing, with high hopes of increased orders.

Crewe has already taken some major steps of its own to put the local economy on a broader footing. In the words of one local industrialist: "The locals have accepted that BREL would not necessarily be here for ever. Instead of wasting their time fighting redundancies, they are devoting their energy to creating jobs in other ways."

Early measures included the development in the late 1970s and early 1980s of the Crewe Gates Farm industrial estate, just a few minutes walk from Crewe Station. Only 20 acres of the 120-acre estate have yet to be built on, and all the present units are occupied. Started soon after local government reorganisation, it was an early sign of the key role to be played by the council in generating employment. The council put in the infrastructure, was active in marketing the sites, and has built factories in partnership with the private sector.

The Weston Centre, a development of industrial units backing onto the main railway line, is another sign of increasing confidence in the area, with Phase I already complete and let. Warren Insulation Distributors took 30,000 sq ft, the Post Office 15,000 sq ft, Malden Timber

7,000 sq ft and Mountain Range Ambulances, manufacturing ambulances and fire tenders, 25,000 sq ft. The developer, Commercial Union Properties is now in discussion with companies interested in taking space in Phase II.

Also close to Crewe Station is the Macon Business Village, a development by Northern Work-space, in association with The Provincial Trust, of self-contained executive office units for sale, or rent at £5 a sq ft. Just behind the Crewe Gates Farm industrial estate, work has already started on preparing an 87-acre site for the Crewe Business Park, aimed at high tech or knowledge-based businesses. The borough council and Cheshire County Council are sharing the costs of essen-

tial infrastructure, likely to be over £2m, and plots are being offered for companies to build their own tailor-made premises. "We have already had inquiries from computer companies in the south-east wanting to move here, and we have not even started marketing the park," says David Griffiths, Crewe and Nantwich Borough Council's industrial development officer. "We are very conscious that many firms in the M4 corridor are having difficulty finding skilled people. Here there is a skilled and stable workforce, while land in the park will cost considerably less than that in the M4 corridor."

Companies are also finding Crewe an attractive location because of its improving communications, believes Mr Griffiths. "One of the reasons the railway came here, was because it was seen as a good centre for covering the Midlands, the north west and Wales." So Co-op Tea and Coffee, for example, blends, packages and distributes nationally from Crewe. More distribution firms have started to move to the area on the strength of the direct link now being built to the M6.

Another factor is likely to be the business climate, with a number of major companies already having a presence in the town or within a ten mile radius. These include the drug company Wellcome, with its UK and Northern Ireland zone headquarters based at the imposing Crewe Hall on Crewe's outskirts; NMW Computers, a company processing thousands of stock exchange transactions every day from its Nantwich base; and GEC, ICL, Marconi, Siemens and United Peripherals.

Both the council and the local business community work closely together to enhance that climate. The joint industrial liaison committee lobbied for the M6 link, for example. There is considerable co-operation also in assisting small businesses start and expand. SCOPE, the enterprise agency for South Cheshire, sponsored by two borough councils, the county council, local industry and the public sector has helped start more than 200 small businesses in two years.

The borough council and Cheshire County Council, meanwhile, have put together a joint submission to the Government for assisted area status. Crewe benefited considerably from intermediate area status until it was withdrawn in 1982. "That coincided with the worst recession, but we managed to keep the companies we had, and attracted other, small companies," says David Griffiths. Though unemployment in the borough has increased, it is still, at just over 11 per cent, below the national and regional average."

According to John Marks, director of SCOPE: "Companies that came here 10 years ago have continued to grow, while there is an expanding service and high tech office sector."

Crewe has achieved this without regional development grants, so the businesses to open here have done so because they want to be here. It is the larger companies that Griffiths believes have tended to be persuaded by the incentives on offer in the development areas that now surround Crewe and Nantwich. "While we would obviously welcome them, Crewe, as a non-assisted area, is better concentrating its efforts on the high technology sector, where there is more importance attached to the skills of the workforce and the quality of life. Another key, we believe is the range of houses available, from the traditional dwellings in Crewe to the elegant town houses of Nantwich's conservation area."

The council has received over 100 responses in the past year to its promotional efforts in the US. It is also marketing the borough within the region. Research has shown that the majority of firms relocating do so within a 20 to 30 mile radius of where they are based. NMW Computers, previously based in Manchester, is one example," says Mr Griffiths.

Tourism is increasingly recognised as providing an important diversity to the area's economy. The Crewe Heritage Festival, celebrating 150 years of railway history in the town, is expected to attract 100,000 enthusiasts and plenty of media coverage. It is hoped to turn the site into a permanent heritage centre. The borough already has two of the largest attractions of their kind in the world in Bridgewater Gardens World, a gardening centre, and Stapley Water Gardens. Improvements are also underway to retail outlets in Crewe and Nantwich. ASDA and the Co-Op have updated their units in Crewe's town centre, while MFI and B&Q are now established and specialist retailers have moved in. The council is planning to improve the shopping environment by pedestrianisation and landscaping, as has already happened in Nantwich. There, Trafford Park Estates is creating a new development of four show units while retaining historic facades.

Crewe's big manufacturers

Name	Ultimate Holding Co.	Year end	Turnover £m
Wellcome Foundation	—	08/86	1,005
Rolls Royce Motor Cars	Vickers plc	12/85	164.6
Air Products	Air Products & Chemicals Inc.	09/85	108.4
A. G. Stanley Holdings	—	12/85	64.6
Paypa Retail	Unitech plc	05/86	39.1
Morning Foods	—	10.85	14.1
Midland Rollmakers	Sheffield Forgemasters	06/85	11.7

Crewe and Nantwich

Crewe's Mansion, Nantwich, a fine example of the Tudor architecture which still graces the towns and villages of Cheshire.

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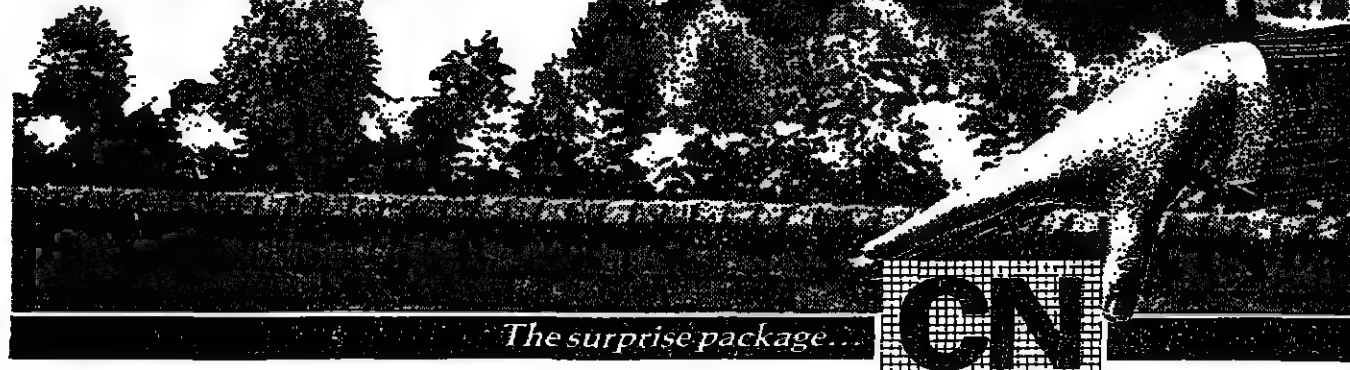
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CREWE & NANTWICH 2

After investing in efficiency, local industry is

In a confident mood

CREWE HAS a wide range of industry. But it is a diversity that has started to develop significantly only within the past 10 years. Before, the area depended almost entirely on two industries, British Rail Engineering and Rolls-Royce Motor Cars. Now, many other companies of national and international status are firmly established in the borough, in fields as varied as pharmaceuticals, in-car entertainment, tea and coffee blending, and gas production.

Unlike many less fortunate parts of the region, however, engineering has managed to bounce back from the recession of the early 1980s. Both BREL and Rolls-Royce have taken steps to make themselves more competitive. Including a programme of redundancies linked to increased investment in up-to-date plant, and now face the future with much confidence.

As part of its rationalisation, BREL has shed 1,000 jobs in the past six months, sold off 25 acres of the site for commercial development, and last year invested £5m in the Crewe works. BREL had to make itself more competitive, since it could

no longer rely, as of right, on British Rail putting work its way. There were two reasons in particular for the redundancies. The prime business of the Crewe works is the overhaul and repair of locomotives and locomotive parts. As BR has become more business led, with its division into market sectors each headed up by business managers, so maintenance charges are being much more closely scrutinised.

Though Crewe still supplies major components for locomotives, the fitting and testing of those components is now carried out at depots dispersed around the country.

With the introduction of new working practices and automated machinery, there have already been significant improvements to turnaround times. BR set a target of 15 working days "cost effective maintenance" for the Class 46 locomotive. The Crewe works is now achieving an eight-day turnaround.

With its greater efficiency, BREL will also be well placed to win new build orders from BR and elsewhere. The two

orders it is currently meeting were won in full and open competition, including 31 Class 91 locomotives, for the East Coast line, with an option on another 25, and orders for 29 Class 82 locomotives and an option on a further 31. This represents, in total, a three-year workload.

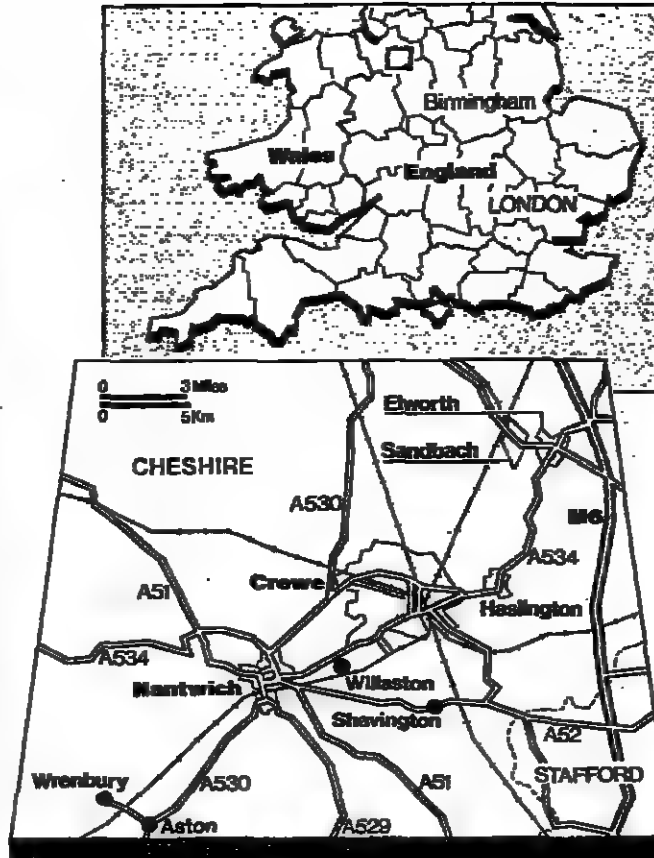
BREL is confident of winning orders for the Channel Tunnel project, but it is also seeking to expand its non-railway work to maximise the use of its facilities, whether in general fabrication, rewinding of electrical motors, power unit repairs or steel foundry work.

Rolls-Royce Motor Cars emerged from a difficult period in the early 1980s and also faces the future with considerable confidence. It employs 4,000 at its Crewe works with a wide range of crafts and skills, from machining to upholstery, from carpentry to tool making. When most car manufacturers are little more than assemblers of components, Rolls-Royce is a self-contained unit.

Its total annual production of 2,500 cars is split 60:40 between Rolls-Royce and Bentley. The US is the main market for Rolls-Royce, where it sells through one of the old trading houses, was its biggest export success story last year. It doubled its sales to 127 cars, and expects that to double again this year.

However, no immediate increase in the workforce is envisaged. "Our main aim is to maintain continuity of employment within the existing workforce," says William Laws, a company spokesman. Pharmaceutical company Wellcome also takes local trainees, apprentices as well as sandwich students, from local colleges. Wellcome acquired the impressive Crewe Hall on the town's outskirts, in 1986 with its purchase of pharmaceutical company Calm which had leased the mansion since 1947. It is now Wellcome's headquarters for the UK and Northern Ireland. Of its 700 staff at Crewe one-third are in Crewe with the rest in administration.

Some £3m has been invested in a highly automated warehouse and production packaging facility. As well as the production of pharmaceuticals, there is a print and packaging division on the site, designing and manufacturing cartons for Wellcome's own drugs as well as doing outside contract work. Cooper's Animal Health, a company formed out of the Animal Health Division of ICI and part of Wellcome's own veterinary



Crewe's most famous industry: a 1st class locomotive under construction at British Rail's local engineering works

and agricultural division has its own premises on the Crewe Hall site.

Crewe is ideally placed for Wellcome's distribution network and the M6 link will bring further improvements. It is also a good centre for administration, with fast rail connections, the proximity of Manchester International airport, and a pleasant rural area to which Wellcome finds no difficulty in attracting professional staff.

NMW Computers, based near Nantwich, and offering a wide range of computer services to stockbrokers nationwide, has also found the area's pleasant

environment a considerable advantage. "You get things done better here than you would in London," says David Pachini, marketing director. "It is also a low-cost area by comparison with the City."

NMW, originally running its bureau from Manchester, considered a move in the late 1970s, when it outgrew its mainframe and needed to expand. It wanted somewhere with good communications, since at the end of every day, hard copies of financial information had to be distributed to client firms.

Since moving to Nantwich NW's growth has been considerable. From offering services primarily to "country" brokers, it now derives over 50 per cent of its business from London-based firms, and handles over 50 per cent of all transactions processed each day in the UK. Before moving to Nantwich it had a staff of 40. It now employs over 130 at Nantwich, and 300 in the group as a whole.

Murray Vernon is an example of a local company which has grown up in Crewe over the past 30 years into a £70m a year business, distributing butter, cheese and milk powders, under the brand name "Murray Vale" in bulk and consumer packs. Now employing 30 people at its Haslington Hall headquarters in Crewe, Murray Vernon exports its products to airlines, hotels, restaurants and retail outlets in over 40 countries worldwide.

Alastair Gifford

Tourism embraces flowers, sharks and steam

A feast of attractions

CREWE CELEBRATES 150 years of railway history in style this month, with a major festival expected to bring over 100,000 enthusiasts to the town. It is the latest in a series of attractions across the borough, fast becoming an important area for tourists.

Crewe was the hub of the first trunk railway in the world, linking the industrial Midlands with Manchester. The town developed on the strength of the railway. The clothing industry came to Crewe in the last century to provide jobs for its female workforce. Rolls-Royce in the 1930s on the strength of the town's engineering tradition. Crewe Works, which sprang up just a few years after the railway first arrived, is the birthplace of many of the finest engines.

It is hoped that the site of the railway festival will become a permanent heritage centre. Around £1m is being spent on preparations, which only began in December, while some of the work is being carried out by people on the community programme. The council, which is underwriting the project, is also seeking private sponsorship to offset the cost.

It should do much to raise the perception of Crewe. In the minds of the 12m people who travel through it each year, the verges of the railway line are being landscaped and planted with trees and flowers. A new exhibition hall will house exhibits from collections across the country, telling both the engineering and social side of railways and their impact on Crewe in the last 150 years.

The signal box, once the nerve centre for controlling the complex network of lines converging on Crewe, is being revamped and will be open to the public as a working signal box while enthusiasts will be able to watch steam engines made in Crewe running up and down lines leading off the main track. As part of the celebrations, BREL has opened the doors of its Crewe works where many fine engines, such as the Claughtons, Royal Scots and Duchesses, were made.

A rather different experience is to be had at the Bridgmere Wildlife Park, opened in 1972 and the first of its kind in the north west of England. Originating as a private collection of waterfowl on one small pool 15 years ago, it has been developed and extended to its present size of 35 acres and now contains over 80 species of swans, geese and ducks. Waterfowl are only one feature of the park, the enclosures holding a wide range of native and foreign animals.

A heritage centre adjoins the park and is flanked on two sides by barns dating back to 1800. Here there is a craft centre with a wide variety of craftsmanship such as musical instruments in the medieval style, and various displays, including falconry taxidermy, and rare British breeds of sheep, pigs, goats, cattle and poultry.

Bridgmere Garden World, which had similarly humble beginnings, now attracts upwards of a million and a half members of the public each

year. It began in the early 1960s when John Ravenscroft, a plant lover since boyhood, purchased six acres of land, in two small paddocks, for £600. His first crop was 10,000 roses. Today, together with its associated Bridgmere Nurseries, it is the largest horticultural enterprise in Europe, with an annual turnover of £3m, occupies some 250 acres of land on the A51 Nantwich-Woore-Stone road and employs 140 full time.

It offers a choice of over 6,000 different kinds of plants and bulbs as well as a vast range of other garden and leisure products. Last year the Bridgmere/Sentinel garden captured the Supreme Award at Stoke's National Garden Festival and within a few months, it will have been recreated with many more plants and new features.

"Five years ago we realised that people do not just come here to buy plants, but because we have the biggest collection of plants in the country," says John Ravenscroft. Two years ago, conservatories and greenhouses were added, each landscaped in their own setting. There is a mower and power machine section and the garden furniture section has been extensively expanded.

The Bridgmere nursery, launched in the early 1960s, now occupies about 200 acres. Annual production of main crops ranges from 25,000 fruit trees to 750,000 container-grown trees and shrubs. About one third is sold via Bridgmere

Garden World and the remainder goes wholesale to local authorities, development corporations, the Department of the Environment, landscape contractors and other garden centres and nurseries.

Last Easter, a service was launched for experienced and novice fish keepers. Bridgmere Water World is housed in a new landscaped unit incorporating a 5,000 gallon display pond for imported exhibition Koi, a rocky water course and a wide range of cheaper coldwater, tropical and marine fish and accessories.

Koi carp is just one of the creatures on show at the Stapeley Water Gardens, also near Nantwich. You are invited to "plan your escape to paradise." Over 1m take the opportunity each year. A 30 ft high atrium with fountains is the focal point of a formal Mediterranean palace scene. Luxuriant palm trees flank the central raised pools glistening with the Koi, recreating a paved court water garden some 100 ft long.

Elsewhere, you are transported to a palm paradise island, where you can pretend to be a castaway without a cave in the world. Encounter octopus, lobsters, sharks, stingray and hungry predators. The two-acre site is set within Europe's largest water garden.

A.G.

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THE ARTS

Clausel at Avignon

As at Aix, the Avignon Festival has just celebrated its 40th birthday. The sensation of this year has been a production of the whole of Claude's *Le Soulier de Satin*. This continued throughout the night in the courtyard of the Papal Palace. You went in at 10 pm and came out around 11 am the next day if you lasted the full course. At least one performance was rained off. The weather in Provence this year has been terrible.

Jean-Louis Barrault produced a heavily curtailed version of this work in 1943 at the Comédie Française. With the blessing of the Avignon Festival's director Alain Crombeque, and a subsidy from Air France, Antoine Vitez has gone the whole hog in a co-production between the Association Française d'action artistique and the Théâtre National de Chaillot.

The setting, by Yannis Kokkos could not be bettered. The vast facade of the medieval papal fortress provides all that is required to explain the backcloth and several points of vantage from which spotlights and batteries of floods can shine down on the rectangle of floor with its wide border of blue that serves as the arena on

rendezvous which they are continually frustrated from keeping through the malevolence of fate. Here they are Don Rodrigue (Didier Sandre) and Dona Prouhèze (Ludmila Mikael). In Claude's theatrical transmutation of the tale, completed in 1924, accident is just as obstructive—a letter sent by Prouhèze to Rodrigue takes 10 years to reach him and passes through many hands on the way—but it is the instrument of a high Catholic dogma that imposes its own necessity. The beautiful Prouhèze is married to the elderly Don Pelage, played by the director, and having taken the marriage vow her passion is desperately at odds with her faith.

Clausel alternates tender scenes of sexual confession with aggressive encounters between the rival noblemen but then with deliberate naivety he introduces the young woman's Guardian Angel, wings and all. (Aurélien) The scene's dramatic and theological implications of her position. The eruption from time to time of our feathered friend putting the case for restraint induces an air of embarrassment, however sincerely the

Clausel's most intense and portentous verse, of which the equivalent in the English tongue would be the rhetoric of Walt Whitman. Both these striking ladies, a good deal more than adequate in their roles, fail to find a variety of cadence for the task and fall into that impassioned nasal chanting of the lines, which to British ears is a parody of French classical manner. The men much less so. There is a fine virile performance from Robin Renucci as Prouhèze's other admirer Don Camillo, who becomes her second husband. He is converted to Islam mainly to further the author's ideological argument.

Spain at the period of the Counter-Reformation is thus a model with which Clausel takes many liberties. He shows how much it was an age of seapower and navigation; ships penetrating then uncharted waters in a surge of imperial expansion and adventure is the latter part of Vitez's production. Poor Prouhèze is dead; Rodrigue has lost a leg in battle and has become a painter of sacred icons. Sandre invests him with fine outbursts of rage

on his way to sainthood. Music's daughter Dona Sept Epées (Judith Vitez) has become a strong-minded young woman who finds in him a surrogate father. The Armada has set sail and on its fate hinges the closing stages of this very long play. The stage-picture remains as ingenious as ever; some wonderful puppets to resemble the members of the Cortes; the verse interchanges continue to raise abstract emotional arguments but any thread of unity binding it all together has long since snapped. Clausel's impossible demands are met in full by Vitez and his heroic troupe of actors but dare a foreign observer say that they did not by the end seem justified?

Anthony Curtis

Music Australis/Guildhall School of Music

Paul Driver

The festivity, as such, of the City of London Festival did not unfortunately embrace a concert — one of three on consecutive evenings given by an ensemble, Korokken of Guildhall School musicians on Friday and devoted, like the other two, to contemporary Australian music. Barely a dozen auditors appeared: the Festival had evidently forgotten to promote this particular part of itself, which is a pity since honourable service was being done to some 15 Australian composers, and the playing—under the direction of Merion Powell, who is Australian, and teaches at the Guildhall—was consistently fresh and enlivening.

While some of the pieces on

Saturday's programme utilised electronic tape, the items on Friday's were for pure chamber ensembles. Two were composed by relatively well-known figures — Ross Edwards and David Lumsdaine; three by younger figures — Gerard Brophy, Ricardo Formosa and Andrew Schultz—a generation whose teachers have included Lumsdaine himself, Richard Toop, Don Banks and, interestingly, Franco Donatoni. Brophy's *Sojourn* (1983) for a string quartet enhanced by vibraphone, celeste and harpsichord was very lively, colourful and brief. Formosa's was represented by a copy of pieces for variously formed small ensembles: *Durchführung* (1984) for piano and strings

was exactly as his note described it—virtuoso but elegant, almost divertimento-like. *Tablatura* (1983) was a pungent, restless little scherzo, making a quite thrilling use of double-tongued piccolo at the end (the piccolo part at the beginning was derived from the musical letters of Donatoni's name). *Vertigo* (1986) for piano and winds completed the skillful pictures. Schultz's *L'Oiseau Fantastique II* (1984) tried a trick or two of repetitive music. Edwards's *Monkeys III* (1986) proved in spite of its alarming title and the programme note's claim that it reflected an interest in non-western music to be a perky, mellifluous waltz.



"A girl by a beech tree in a landscape" by George Price Boyce, Tate Gallery

Tate Gallery/William Packer

Delicate glow of Boyce

A delightful exhibition is occupying the Tate until August 18. Lately vacated by the Turners, the arena is now devoted to the work of George Price Boyce, a minor Victorian water-colourist who may well be providing us with the year's purest and most delicate of visual pleasures.

Boyce was born in London in 1829 and died in Chelsea in 1897. A meeting in 1842 with the painter, David Cox, determined him to be an artist. He soon found himself within the orbit of the Pre-Raphaelites, and it is as a particular if minor figure in that movement that he is largely remembered today. Later, he was an associate of Whistler and became a well-liked figure in the Victorian art world.

His subjects were always of architecture and landscape, the buildings seen at first in a glow of romantic antiquity, rather than in the tradition of the young Turner of the 1830s. And the prospects of Ruskin are clear in the insistent detail of much of his earlier work, whether in Venice or Westminster Abbey. Gradually he came to see the buildings that so intrigued him — the cluster of barns across the fields or the mill straddling the river — as being essentially at one with their setting, an integral element of the natural landscape.

In this his contemporaries thought him remarkable enough and, while admiring his work, were very much intrigued by what they considered his unconventional treatment of material. "Mr Boyce," wrote the *Art Journal* of 1866, "is singular in the choice of his subjects, inasmuch as he loves to paint the sketching stool just where there is no subject. Yet does he manage to make out of the most unpromising of materials a picture which for the most part is clever and satisfactory." We for our part can just about see what the poor reviewer means, but surely can have no such trouble in accepting these elegiac, contemplative views of backs of houses, or

along a hedge or a blank wall, as the beautiful works of art they are.

Boyce was especially taken with the landscape of the middle reaches of the Thames, and the paintings he made in the 1850s between the mill at Mapledurham and Oxford, of hill and water meadow, through the Goring Gap and up onto the Berkshire Downs above Stroud, are as typical of him as they are remarkable for their unassuming quality.

There is nothing histrionic or pyrotechnical about the work, and much that is self-effacing and discreet; but it quite literally enchants the eye and captivates the imagination by its curious magic, a magic that can summon up so poignantly a lost, familiar world. There are the places we know ourselves, or places very like them, and just as we might know them too in our childhood lives, caught by a physical experience of light and landscape. It is not so much by a shock of recognition that a world 100 years old comes so positively alive, as by gentle, insistent,

quietly melancholic suggestion. It is just that melancholy which lies so close to the heart of all true art, the delicious melancholy borne of mutability and the passing of time, and the humane understanding that we too must die. And here, with Boyce, it is all done by the close and honest observation of the immediate visible world, as unfocused and unassuming as it is meticulous, and by the lightest, most skilful touch of wash and pigment upon the page.

The year will come round again and those trees we see will come into leaf again, but a year on. The sun has gone away, a lost, familiar world, quietly in the shadows beside the mill; a cat runs lightly along the orchard wall; the rooks caw in the trees.

Boyce was not a definitive genius of his age, but his work should now be seen and savoured for the exquisite personal achievement it is. Not only palpable masterpieces, after all, are to be admitted to serious consideration.



"Venice, Canal scene" by George Price Boyce, Tate Gallery

Mystery of the Rose Bouquet

Martin Hoyle

The Argentinian writer Manuel Puig has an ironic way of counterpointing his characters' sufferings with the kitsch of popular culture. In *Kiss of the Spider Woman*—the novel, by Miss Jones, and the dazzling play and film by which he is best known—his homosexual prisoner lards squalid reality with fantasy B-movie glamour.

The latest Puig play to reach us contrasts the personal and professional regrets of an embittered spinster nurse with her dreams of handsome strangers and wealthy employers with immovably defiant wives, owing as much to Mills and Boone as Jane Eyre. Despite this double bluff, however, the author's diversionary tactics are soon rumpled: take away the deliberately portrayed banal and novelistic sentimentality and you are left with an unavoidably banal and novelistic play.

Staged at the Donmar Warehouse, Covent Garden, under the auspices of the fire-damaged Bush Theatre where *Spider Woman* enjoyed such success, the new piece echoes its predecessor in being a two-hander of initial animosity growing interdependence, double-cross and remorse. Here the duo are a cantankerous old woman (Brenda Bruce), in a clinic for depression, and her browbeaten nurse. The latter, endowed with Gemma Jones's troubled Renaissance Madonna mournfulness and willing daffodil vulnerability, is a healed girl who scrapes from her charge's plate, laments her inadequate qualifications and lonely life, and wins over the soft-hearted old curmudgeon as one predicted after the first five minutes. The revelation that she is being gently duped drives the patient to play a cruel hoax on the nurse, but the wounds are finally healed by the prospect of a world cruise together ("Let's do something fantastic... I need a change of air, you need a project")—or is this too a hoax?

Meanwhile, each woman dreamily recalls painful moments in which the other assumes various roles. Thus Miss Bruce re-enacts confrontations with her smug sister and hard-bitten daughter, embodied in the Spider Woman—the novel, by Miss Jones, and the dazzling play and film by which he is best known—his homosexual prisoner lards squalid reality with fantasy B-movie glamour.

Spider Woman may have been commonplace and superficial, but it had a certain courage (in a Latin-American context) in dealing sympathetically with homosexuality. Here, as the patient grieves over a philandering husband and the death of adored grandson Victor, and is consoled by the nurse ("God got it right the nurse 'God got it right' the nurse Victor was born"), the spirit of Polyanna—immobilised, you remember, but brightly treasuring the memory of her legs—looms queerly close.

This impression is not dispelled when the cool white walls of Kenny Miller's excellent design (spacious, hints of sunshine outside) climactically reveal a patterned mosaic and to suggest a confusing jumble of resonances (Catholic imagery? Tennessee Williams? Sanderson wallpaper?). Allan J. Baker's translation, of *Spider Woman*, has an understandable American ring; but why an English production with very English actresses retains "gotten" in place of "got" is a mystery—nor, in English, does one reprimand people, even oneself. Robert Allan Ackman's production allows a nurse to leave the room obediently when her patient wants to make a private phone call, apparently not caring that the old lady has to get out of bed and hobble several yards to do it.

But then consistency is hardly the play's strong point. Even the performances of two intelligent, sympathetic and eminently watchable actresses just fail to give it the kiss, not of a spider woman, but of life. What might pass as an hour on television on a dull evening here looks fairly trite at full length on stage.

Capriccio/Glyndebourne

Max Loppert

Taking over the conductor's post late in the run of a Strauss opera is surely among the less enviable of Glyndebourne job opportunities. Graeme Jenkins is conducting the final four performances of the current *Capriccio* revival: a first for them, on Sunday, he and the LFO kept the music of the "conversation piece" flowing with remarkably few hitches and shuffles; by any account, it was an accomplished reading of an extremely difficult opera. In the first "hall" (Glyndebourne's dinner interval is of course an interruption of Strauss's single-movement opera) that flow was not absolutely seamless—the first appearance of Flammant's sonnet setting was rather plodded through, and (by David Kuchler) rather gruffly and phrased. But for the most part, all the components were in fine working order; words, vocal tone, and instrumental statements and counterpoints were blended with that airy cleanliness which only genuine

Straussians know how to elicit. Late in the second part of the evening Mr Jenkins succeeded in drawing full amusement out of the diversions (dancers and singers' scenes, laughing ensemble, servants' chorals) without making a separate meal of each. The fact that the orchestra was playing this well this late in the festival season must prove the point about the conductor's authority—the strands of the plot and the strands of the evening and those of the Moonlight Interlude towards its close were all notably limpid.

The John Cox production itself remains in sleek shape (likewise, in spite of an announced death, Felicity Lott's coolly self-absorbed silvo-voiced Countess). But I trust that its retirement is due at the end of this season: there was a feeling of high-class reproach about the stage activity, a sure sign that a successful production is reaching the end of its natural artistic life.

Industry and the arts

The Minister for the Arts, Mr Richard Luce, who led with a hefty left the other week, criticising the arts world for being a load of moaning minnies and the victims of their own lack of marketing sense, followed with a right last week by praising industry for its enthusiasm for arts sponsorship, which will contribute over £25m this year.

This is still small beer compared with the £138.4m distributed by the Arts Council but it represents as substantial improvement of the Arts by business on the arts a decade ago. Also, it seems to prove the minister's point that, in contrast to the misgivings of arts organisations, there is still plenty of potential in sponsorship.

Unfortunately the minister's praise for industry coincided with the news that his principal idea to encourage such spending, the Business Sponsorship Incentive Scheme, under which the Government tops up the sponsor's contribution, was in danger of running out of its annual budget of £1.75m after only four months of the financial year.

This can be seen as the Association for Business Sponsorship of the Arts, which handles the scheme, providing Mr Luce with ammunition to squeeze more money out of the Treasury this year. But this is always a difficult task. More likely it will strengthen his hand to get a larger sum for 1988-89. ASSA would like £4m.

It is just possible that the minister will use the BSIS to

push through his revolution in arts funding, forcing arts companies to rely less on state subsidy and more on selling themselves to the public and to patrons. He could freeze his aid to the Arts Council next year but substantially raise the money available to top up sponsors' money. This would be the challenge funding he advocated.

It would cause an outcry in the arts world, but the BSIS does seem to have worked. In three years more than 800 business firms have contributed £10.1m to the arts, with the Government adding another £4.2m as a result.

Mr Luce also announced some interesting new sponsors—NALGO for backing the Young Vic's production of *Rebel in Paradise*, a play with an unsurprising left wing theme; Hawes Percival, the Northampton-based theatre, who are backing a national tour by the Orchestra of St John's, Smith Square; Murphy's Irish Smith building its sales push in the UK around a new work by Shaun Davey about a 16th century woman chieftain from County Mayo, at the Greenway Festival; and Eurotunnel sweetening the local community with an open air concert at Leeds Castle.

Giving these and 70 odd more sponsors awards, Mr Luce could maintain, with some justification, that sponsors are quite prepared to go for the unusual, the local, and for the youth market. Traditional events—operas, ballets, etc.—are less popular, probably because of the expense involved.

John Whiting Award winners

The John Whiting Award, administered by the Arts Council in memory of the playwright John Whiting, has been won by Guy Hibbert and Heidi Thomas, who share the prize of £3,500.

Mr Hibbert's *On the Edge* was seen at the Hampstead Theatre in 1985. Mr Thomas's *Shamrocks and Crocodiles* at Rees.

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Arts Guide

July 24-30

Music

LONDON

Chamber Orchestra of London conducted by Philip Simms with J. Braddy, violin and Yvonne Seow, piano. Handel, Mozart and Vivaldi. Barbican Hall (Thu), (033 8881).

PARIS

Sardana's religious and traditional music, Maria Carta singing, Sergio Varole, organ and singing. (Mon 8.30pm) Saint-Severin Church. Angela Hewitt, piano: One Hour with Roussel (Tue, 7pm) Auditorium des Halles, Porte Saint-Eustache. Chamber Orchestra from Czechoslovakia conducted by Otokar Stojek with the Nielsen Quintet: Mozart (Thu 8.30pm) Auditorium des Halles.

All the above are part of the Paris Festival Festival (4804 8881).

NETHERLANDS

Amsterdam, Oude Kerk (Oude Kerkplein). Organ recital by Jan, Peter and Wim Zwart (Wed).

Amsterdam, Nieuwe Kerk (Dam Square). Organ recital by Gustav Leonhardt (Thu).

NEW YORK

Mostly Mozart Festival (Avery Fisher Hall): Music on Original Instruments. Christopher Hogwood conducting, Steven Lubin fortepiano, Stanley Ritchie violin. Mozart, Beethoven (Mon); Mostly Mozart Festival Orchestra. Leopold Rager conducting, Richard Stoltzman clarinet, Paul Gallo bassoon, James Stark-

Opera and Ballet

NEW YORK

New York City Opera: A week of performances of Stephen Sondheim's *Sweeney Todd* being, conducted by Paul Gemignani in Harold Prince's production with Joyce Castle and Timothy Moten; also Faust, La Bodine and Tosca, with Elizabeth Holleque in the title role conducted by Alessandro Silvestri in Frank Corbo's production. Lincoln Center (870 5570).

New York Grand Opera (Central Park): Free performance of the first New York staging of Verdi's *Il Corvo* at the 72nd Street Bandshell. (800 1335 for raindates).

Jacob's Pillow Dance Festival: Summer work and performance schedule in the Berkshire features recitals this week of the Paul Taylor Dance Company (Tue-Thur). Beckett MA (413) 243 0745.

WASHINGTON

Bolshoi Ballet (Opera House): Performances of *The Golden Age* continue, along with the first act of *Romeo and Juliet* and the second act of *Swan Lake*. Kennedy Center (202 3770).

LONDON

Coliseum: Bolshoi Ballet Academy in mixed programmes. (826 3161).

Sadler's Wells: Merce Cunningham season continues. (278 9510).

Royal Festival Hall: London Festival Ballet begins a season of popular ballets on July 28 starting with Coppelia in which Rudolf Nureyev is promised as Frantz. (243 3191).

TOKYO

Setsuko Seldner, piano. Haydn, Mozart, Beethoven, Chopin, Muller Concert Hall. (Thu) (31 5539).

Traditional Japanese Music: Shamisen, hand drum and flute recital by the Shinjo Kai group in a concert version of well-known pieces from Kabuki. Shoken Kaikan Hall, near Kayabacho. (Thu) (351 0329).

01-13 44 41

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4A 3DF
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Tuesday July 28 1987

Half measures on EC steel

THE European Commission's latest proposals for tackling the crisis in the EC steel industry, to be discussed by the Council of Ministers in September, look suspiciously like a recipe for yet another fudged compromise which will fail to resolve the central problem of chronic excess production capacity.

The essence of the proposals is a straightforward trade-off. In exchange for prolonging quotas on about half of EC steel production for three more years and imposing output levies which would be used to fund the cost of restructuring, the Commission hopes it can persuade steelmakers and EC governments to accelerate the rate of plant closures.

However, the package has serious shortcomings. The proposed system of levies would further distort the market by penalising efficient producers enjoying buoyant domestic demand. This has particularly angered the UK, not least because the Government is anxious to privatise the newly-profitable British Steel on favourable terms as soon as practicable.

The Ecu 600m which the levies are expected to raise over three years is, in any case, derisory in relation to the likely scale of restructuring costs. Though these can still only be guessed at, the Commission estimates that 30m tonnes of steel capacity will have to be closed by 1990, and that the resulting job losses will total about 80,000.

Political obstacles

More important, however, is that the principal obstacles to further cuts are not financial but political, as Eurofer, the EC steelmakers' club, acknowledged earlier this year. The bulk of excess capacity is in so-called flat products, which are produced by large integrated plants, many of which are state-owned and located in regions with high unemployment. Hence the onus for deciding on most future closures lies squarely with EC governments.

Several Community governments do not, to say the least, seem in any hurry to grasp this

particular nettle. In some cases, such as Finisider, Italy's state-owned steel holding company, the problem is compounded by the tactics of politicians who appear more intent on using their influence to advance narrow party interests than to encourage industrial rationalisation and capacity reductions. The danger is that too many governments will view an extension of the quota regime as a pretext for prolonging painful decisions on cutbacks rather than as a device for facilitating them.

The Commission, it is true, has said that it will agree to prolong quotas beyond the end of this year only if it receives commitments in advance to make further plant closures. However, it has studiously avoided specifying the minimum level of capacity reductions which it would consider acceptable, saying only that it is seeking "a good portion" of the total.

Escape route

Officially, this vagueness is ascribed to the need for further consultations with the steel industry and EC governments. But it also looks like a sign of weakness; it could all too easily become a convenient escape route, whereby the Commission could avoid losing too much face if it failed to secure all the closures undertakings which its own experts believe are needed.

Under pressure from the industry and from governments, the Commission has already retreated from its earlier goal of restoring a free market in steel from the start of next year. Unless it stands firm now, the risk is that the present cartelisation of the market will drag on indefinitely.

The Commission has all the legal powers it needs to dictate a solution. It should have the authority to use them instead of trying to haggle over a negotiated compromise, it should declare its intention to lift production quotas from the start of next year and enforce rigorously its ban on illegal closures. Only then are the reluctant governments likely to start taking it seriously enough to tackle the excess capacity problem in earnest.

Mahathir mends some fences

OFFICIAL VISITS by foreign political leaders fall neatly into two categories; those that are never out of the news and those that are never in. The visit to London by Dr Mahathir Mohamed, Prime Minister of Malaysia, is a good example of the effectiveness of the latter. He left at the weekend, after a week of public invisibility, with some important fences mended.

It is regrettable that Dr Mahathir's belated amicability had to be forced by a collapse of prosperity in Malaysia. He now urgently needs links from which investment and stronger trading relations can grow. Malaysia was one of the fastest developing economies in the ASEAN area, dominating the world market for rubber, palm oil, tin, and tin. This wealth was supplemented by useful offshore reserves of oil and gas. During the late 1970s, Malaysia looked like one of the world's success stories—a multi-racial third world society prospering under a commodity boom.

With a myopia characteristic of many other countries in a similar position—not only third world but also such developed commodity-rich nations as Australia—Malaysia assumed prosperity was infinite. It consequently overinvested and overborrowed. By the mid-1980s it was trapped by unsustainable foreign debt and falling prices for its major commodities. Economic growth halved between 1984 and 1985 and has been in the doldrums ever since.

Equal terms

Dr Mahathir became Prime Minister in 1981 when the economy was still strong. In self-confident mood he took an aggressive stance internationally over issues which displeased him. On some matters he enhanced his reputation; he has, for example, been a persistently outspoken critic of apartheid in South Africa, as he pointedly reminded Mrs Thatcher and several of his predominantly business audiences in London.

On other issues he seemed less than statesmanlike. His response to the Thatcher Government's decision to raise tuition fees for overseas students earlier this decade was to promote a "Buy British Last" campaign and to drag Anglo-Malaysian relations to a low point over a dispute which might have been better

handled by diplomatic discussions. As a result of last week's quiet improvement in relations, for example, the British Government has agreed to extend for three years a scheme of training for Malaysian students.

Mrs Thatcher started to improve relations when she visited Malaysia in 1985 but doubts lingered about Malaysia's attitude towards British goods. Dr Mahathir's visit has finally made it clear that the campaign is dead and buried: Britain's goods will now compete on equal terms.

Welcome step

He has also been able to explain his Look East campaign without conviction. It does not involve giving all contracts to Japan and Korea although Malaysia does want to learn about those countries' work ethic, management methods and business practices, he told the Confederation of British Industry.

Malaysia is looking worldwide for investment, as is right for a country trying to restore its economy; to underline the point Dr Mahathir is taking the same message to Budapest and Moscow this week.

However, Malaysia's more realistic economic policies—abandoning the 1990 target date for 30 per cent Malay ownership of the corporate sector, introducing investment incentives for foreign companies and allowing those which export at least 50 per cent of their output to remain 100 per cent foreign owned—may not be enough.

Prospective investors in Malaysia have also to consider the potential of Malaysia in the light of a large external debt burden, private investment growth averaging less than 2 per cent annually in the last six years against a target of more than 10 per cent and the Government's continued enthusiasm for a rather dated industrial policy. The heavily subsidised "national" car project, the Proton Saga, and the ill-fated Malaysia Overseas Investment Corporation which collapsed with \$70m of debts are but two notable examples of the expensive statist approach. Yet the greater realism in Malaysia's economic policies, the more liberal approach to inward investment and the ending of the quarrel with the UK are all welcome steps in the right direction.

Peru's aggressive approach to its debt has paid off so far. But Robert Graham sees problems ahead

PERU HAS been the odd man out in the Latin American debt crisis. Under the influence of its fiercely nationalistic president, Mr Alan Garcia, Peru has gone further than any of its neighbours to confront the international financial community and challenge the austerity prescriptions of the International Monetary Fund (IMF). So far, Peru's confrontational stance has paid off. As President Garcia today completes his second year in office, he can claim to have turned Peru—at least temporarily—into Latin America's fastest growing economy. Growth last year was more than 8.5 per cent, up from 2.5 per cent in 1985, and this year the pace has only marginally slackened.

If it can be sustained, President Garcia will have demonstrated that countries like Peru can pull out of recession despite bucking the orthodoxy of the IMF. Even more controversially—and with potentially far-reaching consequences—he will have shown that refusing to repay debt is a more successful strategy than rescheduling on bankers' terms.

Despite having made no repayments on its international debt since a minimal offering to the commercial banks in May 1986—and despite a debt service ceiling of 10 per cent of export earnings—Peru has had no difficulty obtaining short-term commercial credit. President Garcia's detractors, however, are worried that the bubble may be about to burst. They believe his high-growth strategy could end in the kind of economic chaos that characterised the last years of the populist Allende government in Chile in 1973.

The President is playing for high stakes and still appears to thrive on the challenge, dominating the political stage with his Messianic vision of a revived Peru. However, the existence of the fanatical Maoist guerrilla movement, Sendero Luminoso (shining way), underlines the dangers if the economic experiment goes wrong. President Garcia and his advisers are the first to admit that now that the expectations of Peru's impoverished majority have been raised, the beneficiary of economic failure would be Sendero.

The central thrust of the President's policy has been that economic growth and prosperity is the most effective weapon against the encroachment of Sendero. Indeed, the Marxist-dominated left, which supported his candidature, could also capitalise if he fails. "Before any judgment is made about the President and his policies, you must remember that this country is in a state of political civil war," says Mr Gustavo Saborstein, Economy Minister.

In the past seven years, about 10,000 members of the security forces, civilians and Sendero activists have been killed in fighting that has spread from the southern Andean plateau, near Ayacucho, and now affects at least 12 provinces in the centre and south of the country. Lima has been under curfew for 16 months, the streets of this bustling over-populated capital of 4.5m eerily emptying well before midnight. Scarcely a day goes by without the media recording some terrorist incident—be it a bus or a train, a government official killed in cold blood, police stations machine-gunned, power pylons blown up and explosives stolen



Garcia triumphant after the 1985 presidential elections: since then he has fostered a new atmosphere of stability

Tough guy plays it close to the edge

from mining companies. Centromin, the state mining company, has suffered \$20m of damage in the past five years. Sendero, which defines itself only in terms of the destruction of the existing state, is now turning its hand to political infiltration. Last May, President Garcia discovered to his surprise that the group had infiltrated the ranks of the police, on strike over pay and conditions.

With the military disgruntled and the police deeply corrupted by the so-called "cocaine barons," the President had to move quickly to establish his authority.

He has used to the fullest his youth (37 years old when elected) and still the youngest Latin American leader), his commanding height of 6ft 4in, his sharp intellect and ability to communicate. These assets have enabled him to ride out difficult moments, paper over the defects of government which lives by improvisation and avoid expounding a clear ideology, other than that of a radical nationalism.

His authority has conveyed a sense of stability rare in Peru. Even after two years his popularity goes far beyond his own Apra Party (Popular American Revolutionary Alliance). In economic terms, President Garcia's strategy has been the relatively simple one of stimulating demand by increasing wages and rural incomes, controlling prices, manipulating the exchange rate and protecting public spending has not had a dramatic impact on the public sector deficit simply because

large amounts have been saved in unpaid debt service—so far, the country has accumulated arrears of more than \$4.5bn on its foreign debt. (In practice, Peru has been paying close to 20 per cent of export earnings in debt service—\$490m against exports of \$2.5bn last year—despite the 10 per cent ceiling.) However, since the beginning of the year, economic problems have been accumulating. Tax

making conciliatory gestures towards the opposition parties, business community and international banks, implying that President Garcia has been too antagonistic and undiplomatic. However, the President appears to be using Mr Larco Cox only as a soft front for his policies, which remain essentially the same.

Mr Saborstein was promoted to the Economy Ministry in the

President Garcia has gambled on a strategy of rapid economic growth to counter the threat from Maoist guerrillas

revenues have fallen, imports risen, eroding net reserves, and in June inflation reached 8 per cent on a monthly basis.

President Garcia's reaction to the downturn has been more political than economic. He sacked the Prime Minister, Mr Luis Alva Castro, who was primarily in charge of the economy—less to find a scapegoat for economic performance than to rid himself of a man whose ambitions for the presidency had caused friction in Cabinet.

The replacement, Mr Guillermo Larco Cox, a respected former mayor of Trujillo, was a sop to the conservative wing of Apra. The new Prime Minister has been

reshuffle, having been the chief debt negotiator and deputy minister, the principal economic adviser and "guru" to the President remains the Argentine leftist economist, Mr Daniel Carbonetto.

Meanwhile, the independence of the central bank has been compromised by the forced resignation of Mr Leonel Figueroa, the Governor, with effective control handed over to Mr Cesar Ferrari, the Director General. He forms part of the President's kitchen economic Cabinet, dubbed the "bold ones." While remaining convinced of the wisdom of an economic strategy built on growth, they, too, are ever wary

of giving ground either to the opposition on the left or to Sendero.

Second thoughts over the wisdom of President Garcia's wage boosting strategy led to a major review of economic policy earlier this month. However, the experience of May's police strike and the recent threat of a general strike appear to have persuaded the Government to maintain its policy of allowing wages to rise 5 per cent a year above inflation. An emergency public works employment scheme is also being expanded to cover 120,000 people.

In an adjustment package, announced this month, petrol prices were raised 25 per cent—an easy source of revenue and the second resort to this instrument this year. The country's tiered exchange rate, which favours importers over exporters, was maintained, demonstrating that the Government is still failing to promote export-led growth.

It is evident that it can strike a deal with the business community to trade investment for privileges. Last year

business made large profits because of higher demand and evasion of price controls. However, so far business has needed to invest little, merely absorbing capacity which was 50 per cent idle in 1985. New investment is far more problematic, amid fears of more rigidly enforced price controls and uncertainty over profits. The confident stance of the Government, prominent critics like Mr Manuel Morela, who runs the Peruvian economic consultancy, Macroconsult

are worried. "The growth model cannot be sustained in the present form," he argues, adding that he is concerned about the fiscal deficit rising beyond 12 per cent of gross domestic product, the 60 per cent import content of local industry, the artificiality of the exchange rates and the difficulty of controlling inflation. He also believes the administration's managerial resources are spread too thinly.

However, most people still give President Garcia the benefit of the doubt. Even critics like Mr Morela concede that Peru has weathered the debt crisis more successfully than its neighbours—Brazil's Cruzado plan failed after only 10 months.

Whereas the Garcia plan was introduced after five years in which GDP fell by 20 per cent and wages by 50 per cent in real terms, the Cruzado plan was imposed on a booming economy. This meant Peru was able to make use of idle capacity and avoid inflationary spirals. In addition, Peru's price controls were less rigid and more easily evaded, largely because the informal economy accounts for at least 20 per cent of economic activity and is underpinned by the annual flow of nearly \$1bn in "coca-dollars." Finally, non-payment of debt provided a breathing space which the Cruzado plan lacked.

But as President Garcia enters the third year of his five-year term, few of these advantages are any longer apparent.

The President cannot afford to assume that sufficient domestic investment will be found to sustain his growth model. Thus, say his critics, he has been unwise in alienating institutions like the World Bank, from which Peru is withholding \$55m in repayments on the grounds that it pays only those institutions which provide a positive cash flow.

This year Lima is due to pay \$180m to the World Bank and to receive only \$140m. The bank has been sympathetic to Peru's plight and its efforts to generate economic recovery, it believes that confrontation at this level merely damages the country and compromises its development prospects.

Peru's difficulties with the World Bank are only one example of how its relations with the industrialised world are confused by dogmatic anti-imperialist rhetoric.

The development of two potential growth industries—agriculture and hydrocarbons—is being held up by the Government's nationalist stance. Laws which effectively prohibit foreign ownership of land are inhibiting the growth of agro-industry. In the case of hydrocarbons—Shell has made a big gas discovery in the southern Amazon—Garcia's scrupulous relationship with the international oil companies is delaying development.

The explanation is, as ever, the President's fear of being outflanked by the left. Any concession to foreign interests risks a loss of political support. But his colleagues also point out that he retains a strong anti-imperialist streak in his political philosophy—a fact which is likely to complicate his dealings both with the oil companies and the country's international creditors, and which will leave him little to fall back on if the bubble of his economic boom bursts.

The price of persuasion

Nigel Lawson's strictures last week on the need to keep down public spending have clearly gone unheeded in, of all places, the Treasury. The Chancellor's press office is planning a whopping 13.3 per cent increase in its outlays on press and public relations this year, taking the total up from £234,600 to £265,900.

No doubt the rise—over three times more than is needed to keep pace with inflation—is essential to persuade the public of the need for spending restraints.

Inky stakes

The propaganda war between the two leading British daily newspapers, Robert Maxwell's Daily Mirror, and Rupert Murdoch's Sun, is growing more intense. Maxwell issued a press release last week to trumpet the fact that the Sun circulation had fallen below 4m for the

Men and Matters

first time since 1981, and that, naturally, Mirror sales were up. He stuck to the 1970s daily paper Today from under Maxwell's nose with a \$38m bid last month quickly launched a counterattack.

The current issue of UK Press Gazette has a larger Murdoch advertisement devoted to "The Maxwell Years."

The advertisement points out that when Maxwell bought the Daily Mirror on July 13, 1984, its average sale was 3,547,247. It also says the plan was to put it on the Mirror sales, one to put it back at number one place in the tabloids beauty contest.

With average Mirror sales for June of 3,109,373, the Sun observes, Maxwell is further behind The Sun than he was when he started.

The gap has increased by over a quarter of a million and now stands at over 860,000, the Sun says sweetly.

Party damper

Norway's Opposition Christian Democrat party does not appear to have found all beer, wine and spirits sold in the country should carry a health warning similar to those already printed on cigarette and tobacco packets.

Tobacco and drinks advertising is already banned; and the Christian Democrats are urging this next step in their programme for the forthcoming local government elections.

But a spokesman for the Conservative party, the Christian Democrats' ally in the previous coalition, claimed such labelling was unnecessary. People should be able to enjoy a bottle of wine without having a warning "shoved in their faces," argued Conservative Tore Litved.

Reaction from a major Norwegian brewery was predictably terse; the State wine and spirits monopoly stated firmly that it merely followed the rules and did not make them. But it added plaintively: "Under present Norwegian law, wine and spirits come under the heading of food and drink. After all, it's not lye and ammonia we're selling in our bottles."

For the ruling Labour party, Mr. Vigdis Olsson-Bavay said the idea might be acceptable as part of an "overall alcohol policy package." But it should await discussion of the Labour Government's white paper on that issue. Wisely, the administration will not be publishing the white paper until after the elections.

A spoke in it

Amidst the acclaim in Dublin for Stephen Roche's victory in the Tour de France, there were irritated mutterings from Premier Charles Haughey down about British commentators referring to the cyclist as the first from the British Isles to win the race.

Through Irish eyes (Scots and Welsh will sympathise) it was the old grudge of the English slyly seeking to claim a bit of Ireland's glory for themselves. For travellers to Ireland anxious not to upset their hosts, here is a brief guide to sensitive vocabulary.

Avoid talking of the British Isles. "These Islands" is the neutral and most frequently used alternative. Reference to Britain as "the mainland" can also cause offence. It is safer to say "across the water."

In Northern Ireland, things inevitably get more complicated. In the company of unionists, be careful not to

talk of the province as if it was not part of the United Kingdom, as in "In Britain, we do such-and-such."

Use of the term Ulster as a synonym for Northern Ireland can upset nationalists because only six of the nine counties of the historic province of Ulster are included in the North.

Hardline nationalists will talk of the North as the Six Counties and the Republic as the 26 Counties to avoid identifying partition. The term Free State, which officially dropped out of currency when the South became a Republic, is best avoided as it tends these days to be used only in a disparaging context.

Lastly, Eire, Gaelic for Ireland, is hardly ever used by anybody except unionists who do not want their Irishness to be confused with allegiance to Britain. It is merely opposition to what they sometimes call the "Anglo-Eire Agreement."

And how can you tell unionists from nationalists without forewarning? Alas, that is beyond explanation in this small space.

Book case


Complaining that companies in Taiwan and Hong Kong routinely ignore copyrights, and counterfeiting everything from computers to blue jeans, Gerald Greenwald, chairman of Chrysler Motors, told the Automotive News Congress in Detroit yesterday that his boss, the redoubtable Lee Iacocca, chairman of Chrysler Corporation, recently was sent a bootleg copy of his own best-selling autobiographical book from China.

"And just to add insult to injury they asked him to autograph it and to send it back," said Greenwald.

Wet tendency

Heard in a House of Commons bar: "He's a sort of workaholic. Menton work and he needs a drink."

Observer



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Letters to the Editor

Clarifying the commercial view of overseas aid

From Mr. C. Clark
Sir—Following the recent exchange of letters in your paper (July 18, 23, 24) regarding the degree of commercialism in British aid, it is apparent that there is a clear difference in view as to what role developmental and commercial criteria ought to play in overseas aid allocations. This difference of view is likely never to be resolved.

However, I would like to take issue with one of the underlying assumptions that Mr. Kimber (July 23) makes in his letter, which is that industry as a whole is benefiting from UK aid and that, consequently, the UK economy benefits from each aid supported contract. Firstly, it is chiefly the capital goods sector (which accounted for 32 per cent of UK visible exports in 1985), and within this sector, the mechanical and electrical engineering manufacturers, that benefit from UK aid orders. So to suggest that UK aid benefits all industry is a misnomer.

Secondly, the provision of any form of export subsidy, which includes both aid and subsidised export credit loans (in the case of mixed credits), is a cost to the Exchequer paid for out of taxation on individual and corporate profits. The companies that are reaping the rewards from aid orders must

accept that other parts of the economy are subsidising their "success." It cannot be assumed that the success of one company in securing an export contract will necessarily have a positive beneficial impact on the UK economy as a whole.

I would also like to briefly turn to the complaints regarding the Aid and Trade Provision (ATP), on which I have done considerable research over the past few years. It is evident that procedures for appraising the developmental impact of ATP projects have been tightened up over the past few years and that cases such as the "Zambian buses" would not, all things being equal, occur today. This must be an argument for ensuring that current procedures are maintained.

However, there are presently some pressures from certain quarters, notably the Minister of Trade and Industry in July 1987, to pass the reins of the ATP scheme from the Overseas Development Administration (ODA) to the DTI. This would inevitably lead to a further relegation of the developmental case for ATP aid. If the aid budget was then increased by the equivalent amount, the aid to the developing countries would be increased, but the proposal may not be objection-

able in theory from the developmental viewpoint. However, in practice, this would be a backward step. At present, all Development Assistance Committee (of the OECD) members have agreed to tighten the rules governing the use of mixed credits. In 1983, the DAC Guiding Principles for the use of aid in association with export credits stated that members should undertake to "confine associated financing (mixed credits) to priority projects and programmes which are carefully appraised against the developmental standards and criteria applicable to overseas development assistance programmes."

More recently, under considerable pressure from the US and UK governments, members agreed to increase the aid proportion in a mixed credit from 25 per cent to 30 per cent in July 1987, and to 35 per cent in July 1988, acceptable under OECD rules, to increase the stakes in this kind of soft finance and to further distance the purchase of aid and trade objectives in member states. At a time when such agreements are being ratified, it would be highly hypocritical of the UK to now shift the responsibility of the ATP from the ODA to the DTI, and dilute, rather than improve, the developmental case

of such aid. It is not, after all, that the UK is falling behind in this form of export finance. In 1983-84, the UK was the second highest user at 14 per cent of all DAC commitments, only behind the master of the game, France at 50 per cent.

An often heard complaint of industry is that UK companies must be allowed to compete on equal terms to our international competitors. This was the original justification for the ATP. If, however, this is the real desire of industry, then they should support the initiatives of the DAC and must accept that some orders may be lost in the short term, but the prospects in the longer term are for more commercially funded projects, which they would apparently applaud. The beggar-thy-neighbour policy of continually increasing the ATP budget will be at best a mental exercise which only leads to a resurgence of the credit race (in this case in mixed credits) of the mid-to-late 1970s, out of whose ashes rose the ATP and will be at an ever increasing cost to the UK taxpayer and the poorer developing countries.

Graham Clark,
Centre for Development Studies,
University College of Swansea,
Singleton Park,
Swansea.

Freedom to choose VAT

From the MEP for Cumbria and Lancashire North
Sir—In his article of July 22, Lord Cockfield rightly describes how important it is for the prosperity of the EC that we should move towards an area without internal frontiers by 1992.

However, the suggestions by the Commission to limit national powers of deciding the way VAT should be levied which is of fundamental importance will cause deep resentment in many Member States including the United Kingdom and it is highly unlikely to meet with approval.

In his article Lord Cockfield does not say that in the USA states levy taxes at different rates according to their needs, although he does say that the United States is "a shining example of a single economic area."

The article also does not refer to the fact that the Commissioners themselves set up a Committee of senior economists to look at Community problems under the chairmanship of Tommaso Padoa-Schioppa, Deputy Director-General of the Bank of Italy and a former top Eurocrat.

Whilst one may not agree with all of the Committee's recommendations, some note should be taken of the fact that this Committee says that Member governments should be as free as possible to set their own rates of indirect taxation and that progress towards the internal market could be greatly assisted by better use of computers.

In the unlikely event that Lord Cockfield's proposals are acceptable to Member governments, there would be major price changes on many products and national governments would lose their opportunity to set prices on petrol, cigarettes, alcohol and other politically sensitive and socially important products.

Sheila Faith,
The Square,
Milton Keynes, Cumbria

Common sense pension scheme

From Mr. D. T. Hall
Sir—Mr. Malone (July 21) suggests that the Government should drop the proposals contained in this year's second Finance Bill in order to avoid the impediment to job mobility that will be brought by increasing from ten to 20 years the period over which full pension accrual is permitted.

The problem is that Mr. Malone is a pension consultant well endowed with common sense whereas it becomes increasingly obvious that these politicians now intimately involved with the future of occupational pensions are either lacking in grey matter or do not have the welfare of the occupational schemes movement at heart.

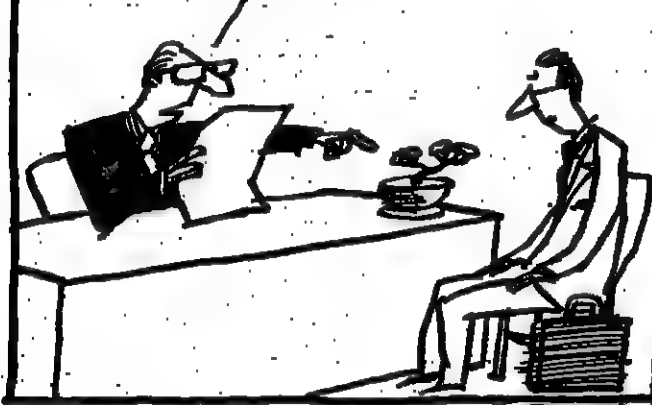
The Government believes in freedom of choice and this is in many ways a good thing. Is there really any need to continue the operation of benefit limits at all, provided that some machinery exists to regulate contribution levels in such a way as to avoid tax abuses? I would submit that there is not, so that employers and employees would then have freedom not only to choose the type of pension they want but also the amount of that pension, without constraint.

At a stroke, all the complications would disappear. Would that the fantasies of a simple mind like mine could become reality!

D. T. Hall, Chief Executive Marketing,
Stewart Wrightson Benefit Consultants, Kingston Bridge House, Kingston-upon-Thames.

YOU SAY YOUR EXPERIENCE GAINED WHILE WORKING IN JAPAN COULD BE OF IMMENSE USE TO OUR COMPANY

—O.K. DOES THAT NEED WATERING OR NOT?



Learning the Japanese lesson

From Dr. R. S. Hancock
Sir—Mr. R. Dore's letter (June 27) about the lack of interest in acquiring knowledge about Japan from both graduates and British manufacturing firms is a sad but accurate comment on the insular and short-sighted nature of both British students and industry. Unfortunately, it also reflects my own experience in trying to find a well-paid job in a British company in the UK.

I have a science PhD and work in Japan for a world-leading Japanese telecommunications measuring instruments manufacturer, specialising in optics. To do this work effectively, I had to become fluent in both written and spoken Japanese as well as learn to understand the Japanese business culture. I spent the seven years I spent at university. I have now reached the grand old age of 35— which the few adventurous British companies that are interested in Japan either consider too old or too expensive to employ (current salary equivalent to £40,000). At the same time, I read in the newspapers that both Margaret Thatcher and Prince Charles are endorsing British manufacturers to get more involved with Japanese work practices and joint ventures to help solve unemployment and rebuild British industry. Prince Charles, during his visit here last year, also emphasised the value of further cultural exchanges.

While congratulating Ronald Dore for his work in promoting Anglo-Japanese relations, I cannot but feel that his experiences at job-hunting in the UK are normal. I cannot blame one of his promising candidates for choosing a fellow-ship and PhD at Berkeley. Until British industry accepts that acquiring the necessary expertise about Japan takes time, and that such employees cost money, the City bond dealers and investment analysts will continue to be most attractive to those of us who have invested many years and a lot of our money studying Japan, her people and business.

One reason why Japan is so successful in world trade is that Japanese businessmen, scientists, bankers, and other people, realised long ago that accurate information about competitor countries is power, and invest heavily to obtain it. Britons still have to learn that lesson.

Meanwhile, I'm still looking for a job in the UK but it may be in the City.

Robert S. Hancock,
202 Sanson House,
Kyoto 5-23-13,
Setagaya-ku,
Tokyo 156.

Need for underwater co-operation

From Prof. D. Cameron Watt
Sir—I was privileged recently to be invited to the one day Brazil Offshore 1987 Conference organised by The Brazilian Chamber of Commerce in Great Britain in conjunction with the Department of Trade and Industry at which members of the British trade and underwater technology mission for Brazil were addressed by representatives of Petrobras and others on the subject of possible co-operation in the development of Brazil's offshore oil fields.

I could not help but be struck by the absence from the delegation of any expertise in the field of advanced technological education or research, which is both a failure of imagination and of communication between the worlds of business enterprise, the DTI and the specialist schools of advanced education and research (much of which is financed by DTI and Department of Energy funds).

There is a strong case for arguing that the training of overseas experts who are likely to play a significant part in their own country's industrial and technological development ought to be related to a future benefit of British industry in their own

joint ventures to help solve unemployment and rebuild British industry. Prince Charles, during his visit here last year, also emphasised the value of further cultural exchanges.

While congratulating Ronald Dore for his work in promoting Anglo-Japanese relations, I cannot but feel that his experiences at job-hunting in the UK are normal. I cannot blame one of his promising candidates for choosing a fellow-ship and PhD at Berkeley. Until British industry accepts that acquiring the necessary expertise about Japan takes time, and that such employees cost money, the City bond dealers and investment analysts will continue to be most attractive to those of us who have invested many years and a lot of our money studying Japan, her people and business.

One reason why Japan is so successful in world trade is that Japanese businessmen, scientists, bankers, and other people, realised long ago that accurate information about competitor countries is power, and invest heavily to obtain it. Britons still have to learn that lesson.

Meanwhile, I'm still looking for a job in the UK but it may be in the City.

Robert S. Hancock,
202 Sanson House,
Kyoto 5-23-13,
Setagaya-ku,
Tokyo 156.

I could not help but be struck by the absence from the delegation of any expertise in the field of advanced technological education or research, which is both a failure of imagination and of communication between the worlds of business enterprise, the DTI and the specialist schools of advanced education and research (much of which is financed by DTI and Department of Energy funds).

There is a strong case for arguing that the training of overseas experts who are likely to play a significant part in their own country's industrial and technological development ought to be related to a future benefit of British industry in their own

joint ventures to help solve unemployment and rebuild British industry. Prince Charles, during his visit here last year, also emphasised the value of further cultural exchanges.

High tech—low profile

From Mr. W. J. D. Tollett
Sir—How much I agree with your comments on the management of science and the need for improvements to the flow of information from universities to industry. The need for improvement is indeed less glamorous than association with large projects at the frontiers of science. It is by its nature very low profile. It is confidential, long term, and difficult.

Our organisation, the R&D Chemicals Forum, was established in 1986 to help its member companies with technology transfer. It works in the chemical industry on behalf of its subscribing members who range from the largest of chemical companies to the smallest. It has the support of the Department of Trade and Industry, the National Economic Development Office and the Chemical Industries Association.

It is getting on with the job quietly and effectively. As the man who runs the organisation, I smile whenever I read of a new high powered initiative by the good and the great to improve the science base of the country. The need is not for more advice or more education. It is for more quiet, patient, confidential work between academics and industrial research workers.

W. J. D. Tollett,
The R & D Clearing House,
4 Sidney Square, ECL

Press unions negotiations

From Mr. A. T. U. Park
Sir—I would like to correct two points in the article High Technology marches on in the press (July 20).

The 100th agreement, at the Southport Visitor, has not "slipped quietly into place". On the contrary, it was achieved after a 10 week dispute between the company and the NUJ, with the latter taking strike action. Furthermore, although the NUJ and the NGA may have agreed nationally a "Joint Accord", which, among other objectives, have not been reached, sought to achieve joint negotiations with employers on new technology, Southport refused to acknowledge that Accord, never once held joint negotiations and, because of the determination, achieved operating arrangements that were relevant to their own circumstances. The NGA in fact had reached agreement with the company, separately, some weeks before the NUJ.

Many employers in the regional press have refused to accept "joint negotiations", except for discussions with both unions about the arrangements for a limited number of NGA members to transfer, if suitable, and after appropriate training, into editorial (principally sub-editing) posts.

A. T. U. Park,
The Newspaper Society,
Woburn House,
74-77 Great Russell Street, WC1.

Persuasion for Malaysian investors

From Isabel Alvarez
Sir—With regard to your piece (July 23) about the Malaysian Prime Minister and his desire for more British investment.

If "Buy British last" is at an end, and British investment would be welcome, might I suggest that the restoration of double taxation relief would be a persuasive step in this direction? The present 40 per cent Malaysian tax at source, followed by the standard UK tax on what is left of any dividend, is not attractive to possible investors.

Isabel Alvarez,
6, Abbey Court,
Abbey Road, NW8.

EARLY ON in the Iran-Iraq war, Dr. Henry Kissinger remarked that it was a pity both sides could not lose.

He was referring, of course, to the regimes on both sides rather than the peoples. The people on either side—he would not doubt have argued—could expect to benefit from their government's defeat, leading presumably to its overthrow.

Instead the opposite has happened. Nearly seven years later both regimes are still in power. To the sufferings imposed on both peoples by their governments have been added those, far more widespread and devastating, of a seemingly endless war.

It is a war which most people in the West find it easy to ignore. When they think about it, they tend to comfort themselves with the following thoughts:

● It is not their fault.
● There is nothing they can do about it.
● It is a long way away.

It doesn't seem to have much effect on the oil price.

Two events last week conspired to dent, for a moment, this wall of self-righteous complacency. In New York, the United Nations Security Council unanimously called for the war to end, and managed to sound as if it meant what it said. In the Gulf, two Kuwaiti tankers hoisted the stars and stripes and sailed through the war zone under the protection of three highly visible US warships.

Whether those two events point in the same direction or in opposite ones is a highly contentious point. What is undeniable is that both have served to remind people in the West that this war concerns them too.

As members of the UN they have a responsibility to restore and maintain peace throughout the world; and as citizens or allies of the US, they risk being drawn into direct confrontation with at least one of the belligerents.

Even as oil consumers they risk paying more if the conflict escalates in the Gulf—as the market remembered with a jerk. And if it should develop into a confrontation between the superpowers, all of us, East and West, could be even more drastically affected.

So Western public opinion has sat up and momentarily taken notice. This may not last, because even conscientious and politically aware citizens of Western countries still find it difficult to know what to think.

Should one regard the war as completely meaningless: a simple paradigm of human folly, a nursery scrap whose rights and wrongs the intervening parent can and must ignore? Or should one designate a cul-



A tale in search of a moral

It is to be clobbered and an injured party whose rights must be upheld?

The UN charter, under which some action to end the war is now being attempted (or at least contemplated), tends to favour the latter approach. It was drafted with the failures of the 1930s in mind, when a series of more or less flagrant aggressions went unpunished until the raging appetite of the aggressors could be resisted only through world war.

The assumption was that the great powers which had fought Hitler would not want to repeat the experience, and would easily agree to nip any new Hitler in the bud. But in practice they have been more prone to suspect each other of incipient Hitlerism than to agree on diagnosing it in a third party; and so the

Second World War, the United Nations—as the anti-Hitler coalition already styled itself—insisted on the unconditional surrender of Germany and Japan. The grounds were that world peace would not be safe so long as the regimes that had started the war remained in being.

That, he says, is exactly how Iranians view President Saddam Hussein of Iraq: a blood-thirsty dictator whose fanatical Arab nationalism and expansionist ambitions, not to mention his use of chemical weapons, render him a permanent danger to his neighbours. He and his Baath party should be extirpated in the interests of world peace just as the Nazi party had to be.

Again, impartial observers might quibble about the degree

Edward Mortimer points out the dangers of the UN taking sides in the Iran-Iraq war

UN, when it has been able to intervene in international conflicts at all, has found itself trying to hold the ring between conflicting rights rather than upholding right against wrong.

In the case of the Iran-Iraq war, Iran sees itself as the victim of aggression—and no impartial student of the origins of the war seriously disagrees. Tehran has therefore argued consistently that, to be true to its own principles, the UN should not put aggressor and victim on an equal footing but should intervene to punish the aggressor and protect the victim. Iran's very able representative at the UN, Dr. Said Rajabzadeh, likes to point out that during

of that characterisation. They may argue, for instance, that Iraq is not such a large and powerful state, and therefore not so dangerous as Germany was; or that, for all his ruthlessness, Mr. Saddam has not organised the systematic annihilation of millions of human beings selected on the basis of ethnic origin. But they would hardly dispute the general thrust of it.

The strongest defence against Iran's accusations would be a *tu quoque* argument. If Iraq is a ruthless dictatorship internally, is not Iran even more so? The torture and execution of political and religious

dissidents, the sponsorship of terrorism in Europe and of hostage-taking in Lebanon—all these surely disqualify Iran from equating itself with the alliance against Nazism and fascism in the Second World War? Perhaps, but are they so different from activities undertaken by a leading member of that alliance, Stalin's Russia?

Anyway, Iran rejects the idea of impartial mediation and demands that the UN take sides. The UN has been gradually pushed into doing so but, ironically, is doing so against Iran. Having failed to intervene against the side that started the war, it is now moving towards intervention against the side that refuses to stop it. Whether it can do so effectively remains uncertain.

The only form of intervention so far envisaged is an arms embargo, and the record so far gives us every reason to doubt both the will and ability of the great powers to impose one. Iran gets most of its weapons by indirect, back-door routes and from middle-sized states (North Korea, Israel, Vietnam) which are proven experts at resisting pressure from their great-power patrons.

Moreover, Iran is fighting a low-tech war. Iran depends much less on expensive and sophisticated weaponry than does Iraq, and much more on human resources, especially the political and religious motivation of its people. The sad fact is that the motivation could be strengthened by a visible ganging up of the great powers and other governments against Iran in the UN.

The argument of Iran's leaders—like that of French and Russian revolutionary leaders in the past—is that their revolution has struck a blow for all the deprived peoples of the earth. Therefore, so the argument goes, it naturally inspires fear and hostility among the corrupt powers (including virtually all regimes now in power in other countries) that benefit from the existing, unjust world order.

Iraq, by its grossly miscalculated invasion of Iran in 1980, made that view of the world seem much more credible to many Muslims inside and outside Iran. There is some danger that the UN may be about to repeat that mistake. Neither the French nor the Russian example suggests that coalitions of external powers, aimed at containing or suppressing a victorious revolution, can expect an easy time of it.

If the UN is to have any hope of intervening effectively, it must somehow convince the Iranians that it is doing so belatedly on their side, rather than treating them as an international nuisance to be stamped out.

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Stewart Fleming assesses the likely impact of Edwin Meese's testimony to the Iran/Contra hearings

Judgment day for the Attorney-General

MR MESE corrupt, incompetent or under attack by political foes? The headline over a profile in the New York Times earlier this month of Attorney-General Edwin Meese, the Reagan Administration's top legal officer, is a question which will not be far from the minds of the members of the Congressional committees investigating the Iran/Contra affair when they assemble today to hear how Mr Meese answers questions about the role he played in the scandal.

For how Mr Meese comports himself could help to deepen or dispel the suspicion that White House officials wittingly sought to cover up the allegedly illegal and politically damaging details of the affair after it erupted in November.

Mr Meese's answers will also have an impact on his own standing. His ethics have once again come under public scrutiny, prompting reports that some White House officials believe he ought to resign. They fear the continuing investigations of his private financial dealings are damaging both the President and the Republican Party, even if he is cleared of allegations of misconduct.

Along with Defence Secretary Caspar Weinberger, Mr Meese is the last of the California conservatives who accompanied Mr Reagan to Washington after he won the presidency in 1980 to still hold high office.

Soon after his arrival, press reports on the heavy-jowled, affable but zealous presidential counsellor were describing him as the Administration's "prime minister" or "deputy president".



Edwin Meese: ethics under public scrutiny again

Mr Meese, who between 1980 and 1985 was chief of staff to the then Governor of California, Ronald Reagan, enjoyed both the new President's trust and, as one of the top three presidential advisers in the White House, ready access to the Oval Office.

Over time, and to the dismay of the President's conservative supporters, Mr Meese's influence waned. The appointment in 1984 of a special counsel to investigate his financial dealings and whether he had helped to arrange federal jobs for people who had helped him financially also weakened him politically, even though he was cleared of any wrongdoing.

In 1985 Mr Meese, who had been nominated by Mr Reagan as Attorney-General, was confirmed by the Senate but only after his critics, led by Senator Joseph Biden, had fought a fierce rearguard action to try and block the appointment.

As Attorney-General, Mr Meese has proved to be the aggressive and energetic advocate of conservative social causes which his political enemies expected, turning himself in the process into what one of his colleagues described recently as "the voodoo doll of this Administration. Everyone is trying to put the pin in it."

Under his leadership, the Justice Department has been more energetic in its efforts to limit the scope of civil laws to protect broad groups such as blacks and women from discrimination, to challenge the legality of abortion, and to restrict the rights of criminals by, for example, easing rules governing the legality of evidence police can

servative social agenda will fall.

Mr Meese is seen as one of Justice Bork's strongest supporters but is perceived to be trying to keep his distance from the Bork nomination for fear that his own political difficulties will damage Judge Bork's confirmation prospects.

As Mr Meese takes the witness chair today, he has many political enemies on Capitol Hill. They will be hoping his political credibility and with it the credibility of the conservative causes he is associated with, will be damaged by his testimony.

His position is already weak. A staunch advocate of law and order and a man who as a deputy district attorney in Alameda County, California, used to relax in the evenings by listening to the police band radio, Mr Meese is once again facing allegations that he violated ethics laws and federal conflict-of-interest regulations by investing \$80,000 in a financial consultant tied to Wedtech, a New York arms manufacturing company which he allegedly helped to secure government contracts.

But when he is questioned by the Iran/Contra committees today, their focus will not be on the investigations of a special counsel in conducting Mr Meese's link to Wedtech but on what Mr Meese knew about the arms sales to Iran and the diversion of the profits to the Contra rebels in Nicaragua. In particular, he will be questioned about what he knew of some of the transactions and when he knew it.

The questions are critical for it was to Mr Meese, his old

friend and the Attorney-General, that President Reagan turned in late November of last year to conduct an initial internal probe of the affair.

Mr Meese's critics charge that that probe was so sloppily conducted by his political allies that it looked more like part of a cover-up than an investigation. If it could be demonstrated that Mr Meese had an intimate knowledge of the covert operations earlier in the year, then the charge of cover-up would be more credible.

Col Oliver North, for example, suggested that Mr Meese was one of the top officials who knew more about the Iran/Contra dealings than he has admitted. He also alleged that Justice Department investigators were in his office last November conducting the investigation at the same time as he was busy shredding sensitive documents.

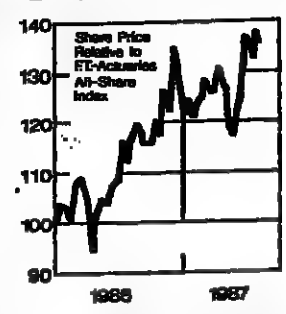
As he answers the committee questions today, Mr Meese knows that in the background, Mr Laurence Walsh, the special counsel, is conducting a criminal investigation of the affair and has already identified Col North and, two weeks ago, former National Security Adviser Admiral John Poindexter as targets of that inquiry.

At least one committee member, however, knows that by the time he leaves office that the Reagan Administration will have appointed more than half the 700 or so federal judges in the country and has already chosen his own political career, he can be confident that when he and President Reagan leave office they will leave behind a ream of conservative judges who will help to keep the Reagan legacy alive.

THE LEX COLUMN

Two bites at the cherry

REUTERS



Hogg Robinson's success in pushing through its demerger proposals may have beaten off TSB for the time being, but the chief effect looks to be the staking out of two companies on the hillside rather than one. Which predators happen along could depend on the Takeover Panel, apparently under pressure to state whether TSB may bid again for the parts it wanted in the first place.

Though an early ruling seems likely, it is quite unclear which way it will go, or indeed whether as an invoking of the 12-month rule would also hold good for a renewed attempt on the breaking part of the business from Mr Holmes a Court. Either way, TSB's handling of the opening round has been clumsy, with its insistence that Hogg Robinson shareholders should turn down a demerger which TSB seeks to effect anyway.

The market makers, meanwhile, should have a lively time of it today in establishing prices for the two demerged parts of the business. Yesterday's closing price of 620p - down 13p - was already giving an implicit value to the two together. The new Hogg Robinson - that is, the travel and estate agency business - certainly deserves a higher rating than the insurance side, Hogg Robinson & Gardner Mountain, and should be worth something over half the 620p total.

Even if TSB and Mr Holmes a Court are warned off, it need not have a lasting effect on the price; the travel business must be attractive to any number of parties, and even as copy a broking business as ERGM should find a buyer.

For a while at least, Reuters ought to be able to sustain its rapid expansion not only through building market share in Japan and North America, where it is still small, and the continuing financial deregulation in Europe, but also from the success of its new products. A rise in selling and marketing expenses in the half year of nearly 75 per cent is thus not too much of a worry. Further ahead, advances in technology - such as replacing old-fashioned telephone line transmission with satellites - should keep business booming. And then there are all those back offices desperately in need of a touch more technology which Reuters could not doubt develop.

price because they are involved in the issue. Notable absentee from the list include Smith New Court. Whether those keeping their heads below the parapets are doing so because they are in severe difficulties, or because they fear that they would be if they did offer a price is impossible to divine.

Most of those who will make a market will do so only for existing clients, which prompts the question: what price the share-owning democracy if it discriminates against the new private investor it purports to encourage? The Government will want to address this question before October, when it intends to sell almost £2bn worth of BP shares to the public. When the Government is the biggest vendor in the market it has the biggest interest in keeping that market alive.

GEC

For GEC to pay \$250m for a decidedly mid-tech petrol pump maker - sold eight months ago to its own management for \$80m - is hardly enough to satisfy less - is hardly enough to satisfy the expectations stimulated by the re-raters. Nevertheless the City grudgingly accepted it as another small step in the right direction and left the price steady in a falling market. There is, after all, no good reason why one very large deal should be any better than several smaller "add-ons" inspired by the new strategic thinking from the divisions. And shifting attention from the UK to specialist global markets also makes sense.

But even if Gilbarco marks only the mid-point through a stream of similar deals it is enough to roll back the dominance of ex-growth businesses? The prospective return on capital at Gilbarco, of about 13 per cent, is certainly above the 9.7 per cent return on cash and investments indicated by the latest GEC accounts. Although below the 48 per cent return on operating assets. And once some of GEC's UK technology and management is combined with Gilbarco's worst performing assets, the prospect of a 13 - is also hardly onerous and underlines last year's give-away price to the management. But none of this will be enough to stop GEC returning for Plessey if it is to be allowed to swallow BCL.

Burden of handling BAA shares eased

BY CLIVE WOLMAN IN LONDON

THE LONDON Stock Exchange announced measures yesterday to ease the burden of paper work on securities firms, which is approaching crisis proportions, as they handle the first day of dealings today in the shares of the newly privatised British Airways Authority.

Dealings in BAA shares in the informal grey market continued yesterday at prices of between 140p and 145p compared with the fixed offer price of only 100p. All those 2.15m small investors who applied for 1,000 shares or less should receive letters of allotment this morning for 100 shares. This should

allow them to make an instant profit of \$40 (25p) minus broker's charges of 21p to 23p, if they sell immediately.

The Stock Exchange fears the consequences of these investors rushing to sell their holdings within the next few days. The back offices of the securities firms will have to devote all their resources to matching buyers and sellers and exchanging allotment letters for cash within the 24-hour Stock Exchange deadline. As a result, the backlog of transactions in other shares which have not yet been settled will grow steadily worse.

The value of unsettled share transactions which have failed to meet the Stock Exchange deadline by more than two weeks is now running at well over £1bn. Some of these bargains date back to the early months of the year and six were transacted in 1980 and 1981. The most serious risk is that a securities firm will become insolvent and be unable to pay for shares already bought. The Exchange is due to announce within the next few weeks tough new rules requiring firms with a large volume of unsettled bargains to increase their capital or make a deposit when there

Telecom row puts pressure on Tokyo

By David Thomas in London and Bob King in Tokyo

PRESSURE ON the Japanese Government to resolve a long-running row about telecommunications market is likely to intensify after the failure of a last-ditch attempt at a compromise solution in Tokyo yesterday.

The compromise was put forward by a consortium, International Digital Communications (IDC), in which Cable and Wireless, the UK telecommunications group, has been playing a leading role.

The consortium has been seeking permission to lay a new trans-Pacific fibre optic cable as part of its bid to start a new international telecommunications service in Japan.

However, Japan's Ministry of Posts and Telecommunications, which doubts the need for the cable, has been trying to persuade the Cable and Wireless consortium to merge with an all-Japanese rival, International Telecommunications Japan (ITJ), which wants to set up a service using leased circuits.

The UK and US Governments have protested to Japan about the merger suggestion, because they see it as an attempt to dilute the interests of foreign companies in the outcome. Pacific Telecable, the US west coast telephone operating company, is a member of the Cable and Wireless consortium.

Under the new IDC proposal, the two consortia would merge in order to run a new international network in Japan. A separate company would be set up to build and run the cable, in which members of the two consortia could choose to invest either individually or collectively.

The eight biggest participants in both consortia would hold 72 per cent of the merged group, with Cable and Wireless and three others holding 16 per cent each.

Mr Jonathan Solomon, a Cable and Wireless director, said after the meeting that the proposal was intended to reconcile the position of the UK and US Governments and of supporters of the IDC bid in Japan, with that of the ITJ and the Ministry of Posts and Telecommunications.

However, the rival consortium was accused of the new proposal, arguing in particular that no individual company could hold more than 7 per cent of a merged group. Mr Yoshio Kawachi, vice-president of Mitsuishi, speaking for ITJ, said: "It is not sure if the IDC proposals are a plus or a minus."

Although the two consortia held further talks about the proposal before the end of the month, there is little hope that these will result in agreement.

The Cable and Wireless consortium is likely to press for an early decision by the Japanese Government to give licences to both consortia if the talks break down. It might then seek renewed intervention by the UK and US governments if Japan does not decide the matter quickly.

Japan calls for new ways to channel aid

BY WILLIAM DUFFLANCE IN SIEMEN

JAPAN proposed yesterday that an independent group be established to find new mechanisms for channelling financial resources to developing countries.

Mr Tadaaki Kuranari, Foreign Minister, tabled the idea when outlining to the 150-nation UN Conference on Trade and Development (UNCTAD) his country's plans to recycle \$30bn of its payments surpluses over three years.

Mr Tomohiko Kobayashi, the Minister's economic adviser, said there is a need for a group that could "think freely" about resource flows and ways of stimulating growth in indebted countries.

Finance ministers meeting in the joint development committee of the International Monetary Fund and World Bank were inhibited by political and other constraints, he added.

The Japanese Foreign Minister also mooted a new approach to countries whose development depends on exports of commodities.

Instead of trying to stabilise commodity prices through international agreements, a "round-table" organisation should be set up to study each country individually and advise on how it could diversify its products, Mr Kuranari suggested.

In the same forum, Mr Michel Camdessus, managing director of the IMF, urged governments of wealthy countries to answer his appeal for a tripling over the next three years of the resources available to the fund's Structural Adjustment Facility (SAF). The \$3bn currently in the

GEC agrees bid for Gilbarco

BY TERRY DODSWORTH, INDUSTRIAL EDITOR, IN LONDON

GENERAL ELECTRIC, the UK electrical and electronics group, has agreed a \$250m takeover of Gilbarco, the leading US company in the petrol station products industry.

The cash bid, which comes only a few days after General Electric withdrew from the takeover contest for the motor and services unit of Lear Siegler of the US, is aimed at consolidating its position in this industry worldwide.

Through Gilbarco, the company is expected to command about 40 per cent of the US market, and with the addition of Avery Hardoll and PM Services in the UK, it will hold about 50 per cent of the British market.

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CGE buys control of Generale Occidentale

Continued from Page 1

broadcasting group, he is understood to have been disappointed by the Fifth Channel decision.

While Sir James will continue at present to head Generale Occidentale, the deal with CGE was seen last night in Paris as adding a new political dimension in the current French media manoeuvring.

©Cavenham (USA), a wholly-owned subsidiary of Generale Occidentale, had no comment yesterday on Sir James's action and several other officials of his US business operations refused to comment on speculation that he is scaling down his business interests in a country which has figured prominently in his investment portfolio.

Late last year Sir James launched a \$5.3bn bid for Good-year, the world's biggest tyre

manufacturer, but ran into fierce opposition and subsequently sold his shares back to the company for a profit of more than \$90m.

Since then Sir James, who had invested in a range of US companies ranging from St Regis to Colgate-Palmolive and had built a reputation as one of the more successful corporate raiders, has been noticeably absent from the US business scene.

He has been quietly dismantling Crown Zellerbach, the West coast forest products company where he acquired control in 1985. He sold the bulk of the paper operations to James River and has subsequently sold its container operations to a private investor group.

He is reported to have recently sold Crown's San Francisco headquarters.

World Weather

Area	Temp	Wind	Cloud	Pres	Humid	Visib	Notes
Amsterdam	17	10	100	1013	85	10	
Antwerp	17	10	100	1013	85	10	
Birmingham	17	10	100	1013	85	10	
Bombay	28	15	100	1013	85	10	
Buenos Aires	17	10	100	1013	85	10	
Calcutta	28	15	100	1013	85	10	
Canton	28	15	100	1013	85	10	
Cebu	28	15	100	1013	85	10	
Colon	28	15	100	1013	85	10	
Hankow	28	15	100	1013	85	10	
Hong Kong	28	15	100	1013	85	10	
Kobe	28	15	100	1013	85	10	
London	17	10	100	1013	85	10	
Lyons	17	10	100	1013	85	10	
Manila	28	15	100	1013	85	10	
Medan	28	15	100	1013	85	10	
Osaka	28	15	100	1013	85	10	
Paris	17	10	100	1013	85	10	
Perth	17	10	100	1013	85	10	
Port of Spain	28	15	100	1013	85	10	
San Francisco	17	10	100	1013	85	10	
Singapore	28	15	100	1013	85	10	
Sourabaya	28	15	100	1013	85	10	
Tokyo	28	15	100	1013	85	10	
Yokohama	28	15	100	1013	85	10	

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Citicorp Investment Bank (Switzerland)	Clariden Bank
Compagnie de Banque et d'Investissements - CBI	Dai-ichi Kangyo Bank (Schweiz) AG
Deutsche Bank (Suisse) AG	Goldman Sachs Finanz AG
The Long Term Credit Bank of Japan (Schweiz) AG	Morgan Guaranty (Switzerland) Ltd
J. Henry Schroder Bank AG	Société Bancaire Julius Baer SA
Sogenal, Société Générale Alsacienne de Banque	S. G. Warburg Sotitio SA
	Tokai Finanz (Schweiz) AG

June, 1987

INTL. COMPANIES and FINANCE

KIO associate buys stake in ERT

By David White in Madrid

TORRES HOSTENCH, the Catalan paper company and regarded as the spearhead of the Kuwait Investment Office in Spain, has become the principal shareholder in Union Explosivos Rio Tinto (ERT), the leading Spanish chemical group, buying some 15 per cent of its capital through the Barcelona stock exchange.

At the same time the company, which just completed a Pta 55bn (\$423m) capital-raising operation to provide itself with a "war chest" for diversification, has acquired about 5 per cent in Banco de Vizcaya and 2 per cent in Banco Central.

The Kuwait Investment Office (KIO), which last year bought just under 25 per cent of Torres Hostench, already holds a direct participation of close to 5 per cent in Banco Central, the country's biggest commercial bank.

The purchases disclosed by the company are reckoned to have cost a total of between Pta25bn and Pta30bn, leaving a large part of the "war chest" still to be allocated. The move into ERT, which has already been the target of active foreign share-buying, is seen as reflecting KIO's ambitions in the Spanish oil refining sector. Earlier this year, KIO was involved in unsuccessful talks over a stake in Compania Espanola de Petroleos (CEPSA), the private-sector refiner linked to Banco Central.

Both Torres Hostench and ERT are companies that have recovered much of their earlier poise after running into heavy debt four or five years ago. The Torres capital increase, completed last week, was the biggest ever carried out on Spanish stock markets.

The announcement of the share purchases marks the company's first major diversification outside the paper industry, in which it has reinforced its position since KIO's entry as the main shareholder.

Last month it added to its interests a 4 per cent stake in the state-controlled paper group Empresa Nacional de Celulosa (ENCE), bought from a private shareholder for about Pta 2bn.

Elsevier boosts terms in battle for Dutch publisher

BY LAURA RAUN IN AMSTERDAM

ELSEVIER, the Dutch publisher, yesterday raised its hostile takeover offer for Kluwer, a smaller rival, by about 12 per cent in a surprise move which tops a competing, friendly bid from Wolters Samsom, the publishing communications group.

Elsevier has sweetened its public tender offer with more cash and less stock, offering five common shares plus Fl 175 in cash for a total bid value of Fl 414 a share in the stock previously.

Kluwer, which is valued at more than Fl 1bn by both competing bids, was priced at Fl 414 a share in the stock market yesterday before trading in all three publishers was suspended on the Amsterdam bourse.

Wolters Samsom immediately launched consultations with Kluwer yesterday to consider whether to increase its friendly bid a second time.

Elsevier owns in excess of 30 per cent of Kluwer's common stock which it has acquired through the open market. Wolters Samsom has a 5 per cent stake but controls some 29 per cent of Kluwer through a holding of preferred stock. Wolters Samsom has said it would drop its bid unless it gets at least 51 per cent of the common shares of Kluwer.

The tussle for control of Kluwer is not only one of the most dramatic bid battles ever fought between stock market-listed Dutch companies, it is also one of the most complicated.

Even if Elsevier ends up owning all of Kluwer's common stock it will only control a minority of the company because ordinary shares represent just 36 per cent of Kluwer's total capital. The outstanding 64 per cent is represented by preferred stock placed with Wolters Samsom and a foundation friendly to the Kluwer management.

In the meantime, the ordinary shares being issued by Elsevier to finance its open-market purchases in Kluwer are believed to be going largely to big, foreign investors such as Mr Robert Maxwell, the UK press magnate and MacGraw Hill, the US publishing group.

Mr Maxwell has said he owns a "very substantial" stake in Elsevier.

Spanish bank profits 19% ahead

BY TOM HUNN IN MADRID

SPANISH BANKS have made a good start to the current year with half-time statements so far published showing average pre-tax profits growth of more than 19 per cent. This is broadly in line with the industry's output for 1986 as a whole.

A common feature of the results has been a policy of increasing the country's risk reserve requirements and, in order to meet a further directive of the Bank of Spain, of increasing allocations for pension funds.

Above-average pre-tax profits were recorded by Banco Central, Spain's largest bank in deposit

terms, which posted Pta18.9bn (\$148m), up 18.74 per cent for the six months. Banco Hispano Americano, the fourth largest bank, reported a 20.4 per cent rise to Pta8.1bn, while Banco de Santander moved ahead by 20.4 per cent to Pta8.8bn.

This week Banco de Santander is due to float Pta 2.9bn worth of shares on the New York Stock Exchange.

Banesto said its first-half results showed a steady recovery and that it would meet its target of Pta 80bn pre-tax for 1987. Last year, Banesto wrote off all its pre-tax profits for provisions.

A feature of the half-yearly results at Banco Exterior, the state-owned bank which comes eighth in the industry ranking, was the Pta 12bn set aside for country risk provisions, a 64 per cent increase on the allocation last year.

Banco Exterior, which acts as the Government's export credit arm, has now covered exposure to doubtful sovereign lending by more than 30 per cent. This compares with the 25 per cent required by the Bank of Spain. Exterior aims to increase this to 40 per cent by the end of the year.

Creditanstalt sees dividend rise

BY OUR FINANCIAL STAFF

CREDITANSTALT, the Austrian bank, expects to raise its dividend for 1987 on expectation that the bank will at least equal its 1986 operating profit.

Mr Hans Androsch, the bank's director general, said that the dividend increase would be dependent on first half trends, which slightly improved on the same 1986 period, continuing for the rest of 1987.

Mr Androsch gave no figures for first half profits since banks need only publish results annually under Austrian regulations.

Creditanstalt made a consolidated banking group net profit of Sch 498.7m (\$38m) last year after a Sch 354.5m profit the year before, when it paid a 10 per cent dividend.

The bank's balance sheet total grew 5.1 per cent in the first half of 1987 to Sch 891.6bn. The proportion of foreign business rose to 50.7 per cent from 48.3 per cent.

As for local Austrian business, interest earnings had grown 8 per cent and margins had slightly widened due to reduced refinancing costs, the bank said. In foreign currencies, interest income had risen in the first half compared with the year-ago period despite pressure on margins and the weakness of the dollar.

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Floating Rate Subordinated Notes due January 1994

In accordance with the provisions of the Notes, notice is hereby given that for the interest period 27th July, 1987 to 26th October, 1987 the Notes will carry an interest rate of 9 1/4% per annum. Interest payable on the relevant interest payment date 26th October, 1987 will amount to £118.42 per £5,000 Note.

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Credito Italiano International Ltd
Caisse d'Epargne de l'Etat du Grand-Duché de Luxembourg Banque de l'Etat

July, 1987

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Chicago exchanges hope for fruitful relationship

"THE RELATIONSHIP between the two exchanges for the past 15 years has been sporadic. We have got to learn to live with one another again."

As Mr Gary Lahey, Options Exchange's vice chairman readily admits, relations between the CBOE, the world's largest options market place, and the Chicago Board of Trade, the largest futures exchange, have often left a great deal to be desired—the more so considering that the CBOE was originally founded by its venerable 189 year old neighbour in 1973.

Thus last month's announcement that the boards of the two institutions had approved the framework for a joint venture agreement to develop a string of mutually traded products surprised many, however sound the logic behind the proposed move appears to be.

The venture, to be presented this week for approval by the members of the two exchanges, would consist of a business agreement to trade jointly a range of new futures and futures options products.

Initial joint venture contracts would include specific equity index futures to be traded adjacent to the CBOE's Standard & Poor's 100 pit—the world's busiest with daily volume averaging some 500,000 lots.

In addition, full members of the CBOE would become eligible to trade existing CBOE options and some futures if and when average daily volume of CBOE-contributed joint venture products consistently exceeds 50,000 lots.

Exchange officials expect the first joint venture product to be up and running within three to four months.

The deal would potentially enable members of both institutions to make significant capital and other savings at a time when intensifying compe-

tion both domestically and abroad is focusing increased attention on cost containment.

Further, the new contracts promise to provide both exchanges with a degree of much-needed diversification. The joint venture's primary objectives, according to the CBOE, "are to increase the number of products which members can use and to decrease costs."

Although each exchange is comfortably the market leader in its own field, both are heavily dependent on one particular successful contract. At the CBOE, the S&P 100 stock index continues to account for

The CBOE-CBOT joint venture provides a degree of much-needed diversification, writes David Owen

more than 60 per cent of total volume. At the CBOT, originally oriented to agricultural commodities, over 50 per cent of trades last year were conducted in the bustling US Treasury bond futures pit.

As both prospective joint venture partners are all too well aware, this situation contrasts markedly with the rival Chicago Mercantile Exchange, the world's second largest futures exchange, where volume is much more evenly spread across a range of currency, stock index, interest rate and agricultural products.

"While Mr Lahey admits that 'regulatory walls will have to be built and taken down' if the joint venture is approved, he believes that this process will be time-consuming rather than problematical. 'We are not attempting to abolish jurisdictional spheres (between the Commodity Futures Trading Commission—the futures indus-

try watchdog—and the Securities and Exchange Commission) at all."

With regard to the cross-margining of trades, which would boost operational efficiency by enabling members to offset trading positions on one exchange against those on the other as if they were one account, hence reducing margin requirements, Mr Lahey sees no reason for industry regulators to become concerned.

"We have no intention of submitting this to the CFTC for approval because we cannot see anything in it that requires their approval," he says. "There shouldn't be any problems with the regulators on this score."

While regulatory walls may have to be reshaped to accommodate the proposed joint venture, exchange officials are not yet convinced that extensive remodelling of present trading configurations will be necessary, although the sixth floor of the CBOE building has been earmarked as a potential future site of a joint trading floor.

"It may not be as important to move the pits around as to install inter-pit communications systems," Mr Lahey speculates. The CBOE's communications system is one of the reasons why the CBOT is attracted to the joint venture, officials make clear.

While gossip on the Windy City's cavernous trading floor is rife, it is still not clear whether the proposed joint venture will emerge as a first step towards a more extensive liaison.

"Personally, I would love to merge the two exchanges," says Mr Lahey of the CBOE. Meanwhile, CBOE officials are also turning their thoughts increasingly to the potential benefits to be derived from extending trading hours and/or establishing links with rival exchanges in different time zones, including the London Stock Exchange.

Eurodollar launch by Finnish agency

By Stephen Fidler, Euromarkets Correspondent

ATTEMPTS TO force open the new issue window for Eurodollar bonds continued yesterday, as the Finnish Export Credit Agency launched a \$100m issue.

For most of last week, weakening North American bond markets meant that bringing a Eurodollar bond to market could be compared to attempting to climb a down-sloping ladder.

Yesterday, however, New York provided some modest help, welcome since most new issue positions held over from last week are now yielding losses.

The triple-A Finnish issue carried a five-year maturity, an 8 1/2 per cent coupon and a price of 101 1/4. At its fees of 1 1/2, the issue yielded about 60 basis points over the equivalent US Treasury bond, though the US yield had expanded this margin to about 64 basis points by late afternoon.

Goldman Sachs International, the lead manager, said the issue was trading inside its fees. Dealers said they considered the issue fairly priced, comparing it to a \$200m issue by Sweden launched at 40 basis points over the Treasury yield curve last week. Bonds were moving to retail clients, though not rapidly, underlining the importance, they said, of not trying to pure basis points in a market that is far from bubbling with enthusiasm.

INTERNATIONAL BONDS

The immediate reaction to the only other straight Eurodollar new issue, a C\$75m issue for Deutsche Girobank (DGB), was lukewarm. The five-year issue certainly passed the 10 per cent yield barrier, priced with a 10 1/2 per cent coupon at 101 1/4. It yielded 58 basis points over the equivalent Canadian Treasury bond.

With summer upon the market, however, few issues seem likely to be blow-outs and sentiment for European issues has been helped by the week's market declines, in which a number of new Eurodollar issues suffered. While brokers' screens were quoting less than 100 for the paper, dealers said that if it were going to be placed, Deutsche Bank, the lead manager, would probably be the house to do it.

Sanwa Shutter Corporation was the latest in the market for dollar bonds with Japanese equity warrants, bringing a \$60m, five-year deal with a 3 per cent indicated coupon through Daiwa Europe. It was trading well outside fees, and quoted by the lead manager at less than four bid.

The Swiss market also seemed to be entering a summer lull, with the focus continuing on good-quality short maturity paper. The sole new issue was for GTE Finance Corporation through Citicorp Investment Bank (Switzerland). The \$75m deal carried a seven-year maturity, a 4 1/2 per cent coupon and a price of 100 1/4.

In West Germany, prices ended the day narrowly mixed in a quiet session, but containing little fundamental demand despite the recent scale-up in yields. The coupon on a DM 70m convertible for Sumitomo Textile was set as expected at 3 per cent, and conversion terms fixed. It was trading at 98 1/4 bid.

Citibank drops two claims against Galadari

By Angela Dixon in Dubai

CITIBANK HAS withdrawn two claims totalling Dh 70m (\$18m) against Galadari Brothers, the Dubai trading group, as a result of successful negotiations out of court.

The settlement is the latest in a series reached with Abdul Rahman and Abdul Latif Galadari, and brings to Dh 230m the amount of debts they have settled, out of a total of some Dh 1bn owed to 19 creditor banks. Previous debt settlements have been at a rate of 30 to 40 per cent, but the present settlement is believed to be at a somewhat higher rate.

A claim for Dh 260m from a syndicate of nine banks, led by Citibank, is still outstanding. No agreement is currently being negotiated on this loan. Member banks of the syndicate do not rule out the prospect of a settlement, but have hitherto maintained that they will only accept 100 cents in the dollar.

Another large claim is that of Dubai Bank, formerly owned by Galadari Brothers, which sued the brothers and other defendants for a total of Dh400m. Judgment was given in favour of the bank last month, though only to the extent of Dh240m. The balance was postponed.

Maggie Ford focuses on a S. Korean newcomer to the Euromarkets GoldStar looks abroad for growth

FEW COMPANIES trying to woo investors can have had as fortunate a set of circumstances as GoldStar, the South Korean electronics company whose \$30m convertible Eurobond was launched last week. The company is part of Lucky GoldStar, one of the country's top four business groups. It is approaching the European investment community in the warm aftermath of South Korea's move towards democracy.

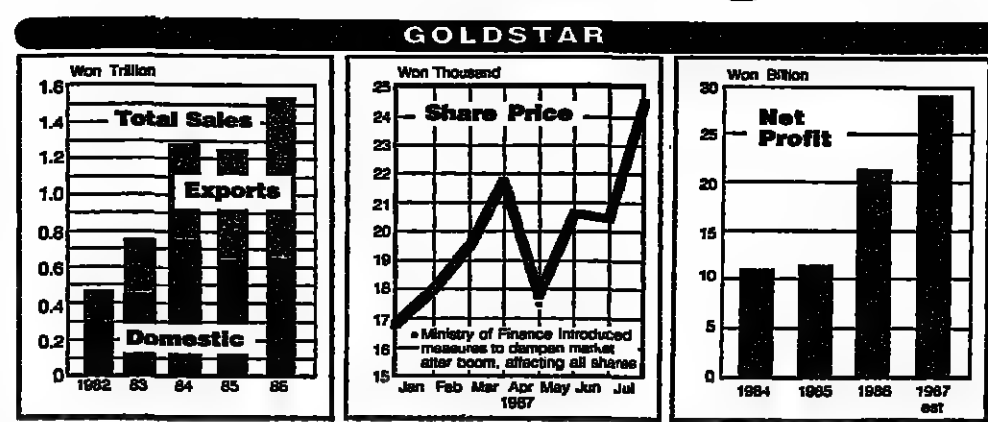
At the same time, figures recently released show that the economy is booming even more than predicted. South Korea's current account surplus for the first six months reached \$4.1bn, almost as high as the \$4.6bn recorded for the whole of last year.

Electronics exports, GoldStar's business, rose by 64 per cent in the first half. The figures have prompted analysts to raise their profit forecasts for the company from around \$250m earlier in the year to nearer \$300m (€87m) today.

The GoldStar convertible bond is the fourth to be placed abroad allowing foreign investors an opportunity to acquire a future stake in the South Korean equity market, which is at present still closed to foreign investors.

Although the Ministry of Finance has said the stock market will not be opened this year, as had been widely hoped, interest remains high in what is seen as an undervalued market with large potential growth.

GoldStar is one of the two top South Korean producers of electronic and electrical goods, ranging from refrigerators and washing machines to video cassette recorders, computers and semiconductors. It follows Samsung Electronics, its main competitor, Daewoo Heavy Industries and Yukong Oil into the Euromarket.



Bonds for all these names have recently been trading at premiums of 100 per cent or more.

The decision by GoldStar to place the paper only in Europe reflects the company's strategy to diversify away from the US market, which takes most of its exports and where it has high name recognition.

Although the company has already established a factory in Alabama, the effects of US protectionism and the appreciation of the South Korean currency against the dollar are provoking concern.

Europe offers a way out, the company believes. The issue of the bond coincides with the start-up of production at GoldStar's factory in West Germany which will produce colour television sets and video cassette recorders.

Mr Song Kim, international finance director of the Lucky GoldStar group, points to the more sophisticated investment climate in Europe as a plus point for Korean companies. Investors are more patient and reliable, he believes.

Last month, when demonstrations in favour of democracy were given wide international publicity, the two funds available to foreign investors—the US-based Korea Fund and the Korea Eurofund, behaved somewhat differently. Mr Oscar Strugstad, of Baring Brothers explains that the smaller Eurofund was more stable since investors were interested in the long term, while those in the US reacted in a more volatile way to adverse television coverage of events.

GoldStar's decision to base more of its production in both the US and Europe follows increasing concern about rising protectionism. Mr Koo Cha Hak, president of GoldStar, said in an interview that the rapid growth achieved under the Government's export led strategy could probably not be maintained because of protectionist pressure.

The company's other main problem was the squeeze on margins due to the high yen. GoldStar imports large quantities of components and parts from Japan. On the other hand,

it has benefited by its competitive pricing against Japanese products suffering from the currency rise.

To solve these problems, diversification of export markets and localised components production were being pursued, Mr Koo said. GoldStar has also invested substantially—between 4 and 5 per cent of sales—in research and development to produce high quality, innovative products in the years ahead, a strategy analysts believe to be sensible.

GoldStar's convertible bond was trading yesterday at 150 on the grey market, against the issue price of 100, reflecting the strong demand for any kind of South Korean paper. Analysts said that the demand from Pacific investment funds had rocketed in the past few months.

In any case the country is playing a starring role for foreign investors keen on cashing in on Asian growth. For one of its top companies, the opportunity to raise money at less than 2 per cent interest on this wave of enthusiasm has been a golden one.

Big debt repayment by Green Island

By Kevin Hamlin in Hong Kong

GREEN ISLAND CEMENT, controlled by Mr Li Ka-Shing's Cheung Kong group, has cleared a portion of debt taken on board from China Cement, the Peking-linked concern it acquired early this year for HK\$255m (US\$32.5m), through the sale of a production facility and a placement of new shares.

Debt of HK\$460m has been offered by the sale of Green Island's cement production plant at Hung Hom to Cheung Kong for HK\$452m. That will be financed mainly through Cheung Kong issuing 25.5m shares to Green Island at HK\$18.20 each, representing HK\$465.1m.

In addition, Green Island has placed 8.57m new shares at HK\$16.30 each, representing 9 per cent of its equity, raising HK\$139.5m. Green Island shares traded yesterday at around HK\$16.40.

Green Island's production will be relocated to a facility previously owned by China Cement at Tap Shok Kok. Brummen, China Cement's former parent which is related to the Bank of China group, has a 17.6 per cent stake in Green Island. China Cement was reported to have debts of HK\$700m when Green Island took it over.

Evergo Industrial Enterprise is to acquire a stake in Oriental Stock Exchange.

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FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on July 27

ISSUERS	Issue	Par	Yield	Price	Change
Aluminum National 7 1/2	1990	100	7 1/2	100 1/4	+
Aluminum National 8 1/2	1990	100	8 1/2	100 1/4	+
Aluminum National 9 1/2	1990	100	9 1/2	100 1/4	+
Aluminum National 10 1/2	1990	100	10 1/2	100 1/4	+
Aluminum National 11 1/2	1990	100	11 1/2	100 1/4	+
Aluminum National 12 1/2	1990	100	12 1/2	100 1/4	+
Aluminum National 13 1/2	1990	100	13 1/2	100 1/4	+
Aluminum National 14 1/2	1990	100	14 1/2	100 1/4	+
Aluminum National 15 1/2	1990	100	15 1/2	100 1/4	+
Aluminum National 16 1/2	1990	100	16 1/2	100 1/4	+
Aluminum National 17 1/2	1990	100	17 1/2	100 1/4	+
Aluminum National 18 1/2	1990	100	18 1/2	100 1/4	+
Aluminum National 19 1/2	1990	100	19 1/2	100 1/4	+
Aluminum National 20 1/2	1990	100	20 1/2	100 1/4	+
Aluminum National 21 1/2	1990	100	21 1/2	100 1/4	+
Aluminum National 22 1/2	1990	100	22 1/2	100 1/4	+
Aluminum National 23 1/2	1990	100	23 1/2	100 1/4	+
Aluminum National 24 1/2	1990	100	24 1/2	100 1/4	+
Aluminum National 25 1/2	1990	100	25 1/2	100 1/4	+
Aluminum National 26 1/2	1990	100	26 1/2	100 1/4	+
Aluminum National 27 1/2	1990	100	27 1/2	100 1/4	+
Aluminum National 28 1/2	1990	100	28 1/2	100 1/4	+
Aluminum National 29 1/2	1990	100	29 1/2	100 1/4	+
Aluminum National 30 1/2	1990	100	30 1/2	100 1/4	+
Aluminum National 31 1/2	1990	100	31 1/2	100 1/4	+
Aluminum National 32 1/2	1990	100	32 1/2	100 1/4	+
Aluminum National 33 1/2	1990	100	33 1/2	100 1/4	+
Aluminum National 34 1/2	1990	100	34 1/2	100 1/4	+
Aluminum National 35 1/2	1990	100	35 1/2	100 1/4	+
Aluminum National 36 1/2	1990	100	36 1/2	100 1/4	+
Aluminum National 37 1/2	1990	100	37 1/2	100 1/4	+
Aluminum National 38 1/2	1990	100	38 1/2	100 1/4	+
Aluminum National 39 1/2	1990	100	39 1/2	100 1/4	+
Aluminum National 40 1/2	1990	100	40 1/2	100 1/4	+
Aluminum National 41 1/2	1990	100	41 1/2	100 1/4	+
Aluminum National 42 1/2	1990	100	42 1/2	100 1/4	+
Aluminum National 43 1/2	1990	100	43 1/2	100 1/4	+
Aluminum National 44 1/2	1990	100	44 1/2	100 1/4	+
Aluminum National 45 1/2	1990	100	45 1/2	100 1/4	+
Aluminum National 46 1/2	1990	100	46 1/2	100 1/4	+
Aluminum National 47 1/2	1990	100	47 1/2	100 1/4	+
Aluminum National 48 1/2	1990	100	48 1/2	100 1/4	+
Aluminum National 49 1/2	1990	100	49 1/2	100 1/4	+
Aluminum National 50 1/2	1990	100	50 1/2	100 1/4	+
Aluminum National 51 1/2	1990	100	51 1/2	100 1/4	+
Aluminum National 52 1/2	1990	100	52 1/2	100 1/4	+
Aluminum National 53 1/2	1990	100	53 1/2	100 1/4	+
Aluminum National 54 1/2	1990	100	54 1/2	100 1/4	+
Aluminum National 55 1/2	1990	100	55 1/2	100 1/4	+
Aluminum National 56 1/2	1990	100	56 1/2	100 1/4	+
Aluminum National 57 1/2	1990	100	57 1/2	100 1/4	+
Aluminum National 58 1/2	1990	100	58 1/2	100 1/4	+
Aluminum National 59 1/2	1990	100	59 1/2	100 1/4	+
Aluminum National 60 1/2	1990	100	60 1/2	100 1/4	+
Aluminum National 61 1/2	1990	100	61 1/2	100 1/4	+
Aluminum National 62 1/2	1990	100	62 1/2	100 1/4	+
Aluminum National 63 1/2	1990	100	63 1/2	100 1/4	+
Aluminum National 64 1/2	1990	100	64 1/2	100 1/4	+
Aluminum National 65 1/2	1990	100	65 1/2	100 1/4	+
Aluminum National 66 1/2	1990	100	66 1/2	100 1/4	+
Aluminum National 67 1/2	1990	100	67 1/2	100 1/4	+
Aluminum National 68 1/2	1990	100	68 1/2	100 1/4	+
Aluminum National 69 1/2	1990	100	69 1/2	100 1/4	+
Aluminum National 70 1/2	1990	100	70 1/2	100 1/4	+
Aluminum National 71 1/2	1990	100	71 1/2	100 1/4	+
Aluminum National 72 1/2	1990	100	72 1/2	100 1/4	+
Aluminum National 73 1/2	1990	100	73 1/2	100 1/4	+
Aluminum National 74 1/2	1990	100	74 1/2	100 1/4	+
Aluminum National 75 1/2	1990	100	75 1/2	100 1/4	+
Aluminum National 76 1/2	1990	100	76 1/2	100 1/4	+
Aluminum National 77 1/2	1990	100	77 1/2	100 1/4	+
Aluminum National 78 1/2	1990	100	78 1/2	100 1/4	+
Aluminum National 79 1/2	1990	100	79 1/2	100 1/4	+
Aluminum National 80 1/2	1990	100	80 1/2	100 1/4	+
Aluminum National 81 1/2	1990	100	81 1/2	100 1/4	+
Aluminum National 82 1/2	1990	100	82 1/2	100 1/4	+
Aluminum National 83 1/2	1990	100	83 1/2	100 1/4	+
Aluminum National 84 1/2	1990	100	84 1/2	100 1/4	+
Aluminum National 85 1/2	1990	100	85 1/2	100 1/4	+
Aluminum National 86 1/2	1990	100	86 1/2	100 1/4	+
Aluminum National 87 1/2	1990	100	87 1/2	100 1/4	+
Aluminum National 88 1/2	1990	100	88 1/2	100 1/4	+
Aluminum National 89 1/2	1990	100	89 1/2	100 1/4	+
Aluminum National 90 1/2	1990	100	90 1/2	100 1/4	+
Aluminum National 91 1/2	1990	100	91 1/2	100 1/4	+
Aluminum National 92 1/2	1990	100	92 1/2	100 1/4	+
Aluminum National 93 1/2	1990	100	93 1/2	100 1/4	+
Aluminum National 94 1/2	1990	100	94 1/2	100 1/4	+
Aluminum National 95 1/2	1990	100	95 1/2	100 1/4	+
Aluminum National 96 1/2	1990	100	96 1/2	100 1/4	+
Aluminum National 97 1/2	1990	100	97 1/2	100 1/4	+
Aluminum National 98 1/2	1990	100	98 1/2	100 1/4	+
Aluminum National 99 1/2	1990	100	99 1/2	100 1/4	+
Aluminum National 100 1/2	1990	100	100 1/2	100 1/4	+
Aluminum National 101 1/2	1990	100	101 1/2	100 1/4	+
Aluminum National 102 1/2	1990	100	102 1/2	100 1/4	+
Aluminum National 103 1/2	1990	100	103 1/2	100 1/4	+
Aluminum National 104 1/2	1990	100	104 1/2	100 1/4	+
Aluminum National 105 1/2	1990	100	105 1/2	100 1/4	+
Aluminum National 106 1/2	1990	100	106 1/2	100 1/4	+
Aluminum National 107 1/2	1990	100	107 1/2	100 1/4	+
Aluminum National 108 1/2	1990	100	108 1/2	100 1/4	+
Aluminum National 109 1/2	1990	100	109 1/2	100 1/4	+
Aluminum National 110 1/2	1990	100	110 1/2	100 1/4	+
Aluminum National 111 1/2	1990	100	111 1/2	100 1/4	+
Aluminum National 112 1/2	1990	100	112 1/2	100 1/4	+
Aluminum National 113 1/2	1990	100	113 1/2	100 1/4	+
Aluminum National 114 1/2	1990	100	114 1/2	100 1/4	+
Aluminum National 115 1/2	1990	100	115 1/2	100 1/4	+
Aluminum National 116 1/2	1990	100	116 1/2	100 1/4	+
Aluminum National 117 1/2	1990	100	117 1/2	100 1/4	+
Aluminum National 118 1/2	1990	100	118 1/2	100 1/4	+
Aluminum National 119 1/2	1990	100	119 1/2	100 1/4	+
Aluminum National 120 1/2	1990	100	120 1/2	100 1/4	+
Aluminum National 121 1/2	1990	100	121 1/2	100 1/4	+
Aluminum National 122 1/2	1990	100	122 1/2	100 1/4	+
Aluminum National 123 1/2	1990	100	123 1/2	100 1/4	+
Aluminum National 124 1/2	1990	100	124 1/2	100 1/4	+
Aluminum National 125 1/2	1990	100	125 1/2	100 1/4	+
Aluminum National 126 1/2	1990	100	126 1/2	100 1/4	+
Aluminum National 127 1/2	1990	100	127 1/2	100 1/4	+
Aluminum National 128 1/2	1990	100	128 1/2	100 1/4	+
Aluminum National 129 1/2	1990	100	129 1/2	100 1/4	+
Aluminum National 130 1/2	1990	100	130 1/2	100 1/4	+
Aluminum National 131 1/2	1990	100	131 1/2	100 1/4	+
Aluminum National 132 1/2	1990	100	132 1/2	100 1/4	+
Aluminum National 133 1/2	1990	100	133 1/2	100 1/4	+
Aluminum National 134 1/2	1990	100	134 1/2	100 1/4	+
Aluminum National 135 1/2	1990	100	135 1/2	100 1/4	+
Aluminum National 136 1/2	1990	100	136 1/2	100 1/4	+
Aluminum National 137 1/2	1990	100	137 1/2	100 1/4	+
Aluminum National 138 1/2	1990	100	138 1/2	100 1/4	+
Aluminum National 139 1/2	1990	100	139 1/2	100 1/4	+
Aluminum National 140 1/2	1990	100	140 1/2	100 1/4	+
Aluminum National 141 1/2	1990	100	141 1/2	100 1/4	+
Aluminum National 142 1/2	1990	100	142 1/2	100 1/4	+
Aluminum National 143 1/2	1990	100	143 1/2	100 1/4	+
Aluminum National 144 1/2	1990	100	144 1/2	100 1/4	+
Aluminum National 145 1/2	1990	100	145 1/2	100 1/4	+
Aluminum National 146 1/2	1990	100	146 1/2	100 1/4	+
Aluminum National 147 1/2	1990	100	147 1/2	100 1/4	+
Aluminum National 148 1/2	1990	100	148 1/2	100 1/4	+
Aluminum National 149 1/2	1990	100	149 1/2	100 1/4	+
Aluminum National 150 1/2	1990	100	150 1/2	100 1/4	+
Aluminum National 151 1/2	1990	100	151 1/2	100 1/4	+
Aluminum National 152 1/2	1990	100	152 1/2	100 1/4	+
Aluminum National 153 1/2	1990	100	153 1/2	100 1/4	+
Aluminum National 154 1/2	1990	100	154 1/2	100 1/4	+
Aluminum National 155 1/2	1990	100	155 1/2	100 1/4	+
Aluminum National 156 1/2	1990	100	156 1/2	100 1/4	+
Aluminum National 157 1/2	1990	100	157 1/2	100 1/4	+
Aluminum National 158 1/2	1990	100	158 1/2	100 1/4	+
Aluminum National 159 1/2	1990	100	159 1/2	100 1/4	+
Aluminum National 160 1/2	1990	100	160 1/2	100 1/4	+
Aluminum National 161 1/2	1990	100	161 1/2	100 1/4	+
Aluminum National 162 1/2	1990	100	162 1/2	100 1/4	+
Aluminum National 163 1/2	1990	100	163 1/2	100 1/4	+
Aluminum National 164 1/2	1990	100	164 1/2	100 1/4	+
Aluminum National 165 1/2	1990	100	165 1/2	100 1/4	+
Aluminum National 166 1/2	1990	100	166 1/2	100 1/4	+
Aluminum National 167 1/2	1990	100	167 1/2	100 1/4	+
Aluminum National 168 1/2	1990	100	168 1/2	100 1/4	+
Aluminum National 169 1/2	1990	100	169 1/2	100 1/4	+
Aluminum National 170 1/2	1990	100	170 1/2	100 1/4	+
Aluminum National 171 1/2	1990	100	171 1/2	100 1/4	+
Aluminum National 172 1/2	1990	100	172 1/2	100 1/4	+
Aluminum National 173 1/2	1990	100	173 1/2	100 1/4	+
Aluminum National 174 1/2	1990	100	174 1/2	100 1/4	+
Aluminum National 175 1/2	1990	100	175 1/2	100 1/4	+
Aluminum National 176 1/2	1990	100	176 1/2	100 1/4	+
Aluminum National 177 1/2	1990	100	177 1/2	100 1/4	+
Aluminum National 178 1/2	1990	100	178 1/2	100 1/4	+
Aluminum National 179 1/2	1990	100	179 1/2	100 1/4	+
Aluminum National 180 1/2	1990	100	180 1/2	100 1/4	+
Aluminum National 181 1/2	1990	100	181 1/2	100 1/4	+
Aluminum National 182 1/2	1990	100	182 1/2	100 1/4	+
Aluminum National 183 1/2	1990	100	183 1/2	100 1/4	+
Aluminum National 184 1/2	1990	100	184 1/2	100 1/4	+
Aluminum National 185 1/2	1990	100	185 1/2	100 1/4	+
Aluminum National 186 1/2	1990	100	186 1/2	100 1/4	+
Aluminum National 187 1/2	1990	100	187 1/2	100 1/4	+
Aluminum National 188 1/2	1990	100	188 1/2	100 1/4	+
Aluminum National 189 1/2	1990	100	189 1/2	100 1/4	+
Aluminum National 190 1/2	1990	100	190 1/2	100 1/4	+
Aluminum National 191 1/2	1990	100	191 1/2	100 1/4	+
Aluminum National 192 1/2	1990	100	192 1/2	100 1/4	+
Aluminum National 193 1/2	1990	100	193 1/2	100 1/4	+
Aluminum National 194 1/2	1990	100	194 1/2	100 1/4	+
Aluminum National 195 1/2	1990	100	195 1/2	100 1/4	+
Aluminum National 196 1/2	1990	100	196 1/2	100 1/4</	

Quantitative Investment Products From Nikko

GLOBAL ALPHA STRATEGY FUND

An umbrella investment fund established in Luxembourg which includes the Pacific Alpha Fund and US/Europe Alpha Fund. It uses factor tilt strategies to achieve returns superior to the market index, and permits low-cost switching between funds.

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Applications for shares in either the Global Alpha Strategy Fund SICAV or Japan Index Fund Limited may only be made on the basis of the information contained in each respective prospectus and the latest available annual report containing audited accounts and the latest available semi-annual report, if later than such annual report.

Copies of these Prospectuses may be obtained by professional investors by calling Nikko Capital Management Limited on 01-236 6076.

To Nikko Capital Management Limited
10-12 Little Trinity Lane, London EC4V 2AA, United Kingdom

FT10

Name	Profession
Company	
Address	
Postcode	Telephone

Please tick your interest in ☐ The Global Alpha Strategy Fund SICAV ☐ The Japan Index Fund Limited

Copies of these Prospectuses will be made available only to professional investors whose ordinary business it is to buy or sell shares or debentures, whether as principal or agent within the meaning of section 79 of the Companies Act 1985 of Great Britain.

This advertisement has been placed by The Nikko Securities Co (Europe) Limited on behalf of Global Alpha Strategy Fund SICAV and Japan Index Fund Limited.
It does not constitute an offer of, or an invitation to the public to subscribe for or to purchase, any securities.



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INTL: COMPANIES and FINANCE

Elders IXL to be split into four

BY CHRIS SHERWELL IN SYDNEY

ELDER'S IXL, one of Australia's largest multinational conglomerates, is to be broken up into four public companies under a restructuring plan endorsed by the board in Melbourne yesterday.

The main aim of the plan is to ensure the future growth of the group's brewing, pastoral and finance businesses through a more efficient structure. One principal result will be a commitment by Mr John Elliott, the chairman and chief executive, to continue in his leadership role for at least three more years.

Recently he has indicated an ambition to enter politics by standing for parliament. That move will now be deferred, although he will seek the presidency of the opposition Liberal Party. Currently he is the party's treasurer.

Elders yesterday emphasised that, because a number of technical details had yet to be settled, no final decisions on the restructuring have been made. However, the board endorsed the general principles of the proposal.

Under the proposal, four new public companies would be created, each with Mr Elliott as chairman. They are:

● Elders Brewing Group, to include Carlton and United Breweries in Australia, Courage in the UK and Carling O'Keefe in Canada. It would be a partly-owned subsidiary with Mr Peter Bartels as chief executive.

● Elders Finance Group, a division which recently lifted its stake in four local broking firms and a London firm. It would have Mr Ken Jarrett as chief executive.

● Elders Agribusiness Group, which would combine the company's pastoral and international businesses and would have Mr Michael Nugent as chief executive. The two businesses had already been brought under his managerial control

under a re-organisation begun several months ago.

A fourth company to hold Elders' 18 per cent stake in Broken Hill Proprietary (BHP), Australia's largest company. The Elders interest in this new company would be less than 50 per cent, but Elders would maintain control over its direction.

The new company would also be set up in a manner which is consistent with Elders' obligations under its agreement with BHP last year, when BHP was the subject of a takeover bid by Mr Robert Holmes a Court's Bell Resources. That agreement set strict conditions under which Elders or Bell could dispose of their stakes in BHP.

Unaffected by the changes would be Elders Resources, in which Elders IXL currently has a 48 per cent stake. Mr Geoff Lord would continue as chief executive.

The disposal of Elders' 15 per cent stake in Goodman Fielder, the regional food giant and a 19.9 per cent stake in SA Brew-

ing, the Adelaide brewing company, will meanwhile increase Elders' cash flow and earnings. Plans for these disposals were revealed last week.

According to Elders, the restructuring would make it easier for shareholders to value the group's component businesses.

Management will gain increased equity participation as well as clearer responsibilities. Each company, for example, would now be able to issue its own paper to buy assets in its own interest.

Increased equity participation for Mr Elliott is dependent on a tenure commitment to be made to AFP Investment Corporation, which put up the proposals and would provide the funds to finance his increased stake. Mr Elliott would use these to purchase some of the options acquired by AFP under its deals with Goodman Fielder and SA Brewing to unwind their cross-shareholding in Elders.

Qantas soars to record result

BY OUR SYDNEY CORRESPONDENT

INCREASED tourist arrivals, a weakened Australian dollar and lower fuel prices have all helped Qantas, the state-owned international carrier, to lift profits to an all-time record for the year to March.

Figures released yesterday for the 67-year-old airline showed net earnings of A\$63.4m (US\$44.9m), 147 times higher than the previous year's figures of just A\$5.6m. Pre-tax profits were A\$103.6m, up from A\$44.4m, while revenues increased by 27.3 per cent from A\$2.01bn to A\$2.56bn.

The results mean that, in the past four years alone, Qantas has earned A\$273m in pre-tax profits, 77 per cent of the total since the federal government acquired all its shares in 1947.

Mr Jim Leslie, Qantas chairman, said yesterday the airline had become one of Australia's top export earners, with foreign revenues of A\$1.55bn, up 30

cent over last year.

He added that the newly introduced fleet of Boeing 767s had added to profitability by allowing increased frequencies and flexibility on thinner routes.

A breakdown of yesterday's figures showed the group had reduced its long-term loans from A\$426m to A\$388m, while current liabilities were up from A\$568m to A\$601m. Provisions were also higher, at A\$277m.

Cadbury Schweppes offshoot ahead

By Jim Jones in Johannesburg

CADBURY SCHWEPES, the quoted South African confectionery and soft drinks offshoot of the UK company of the same name, almost doubled its sales in the 24 weeks to June 30 as a result of greater market penetration and an acquisition.

Turnover was R108.1m (R53.4m) against R58.7m in the corresponding period of 1986, interim operating profits before tax and finance charges rose to R8.4m from R3.6m and pre-tax profits were R7.6m against R1.8m.

Stake in Rustenburg mine for Lebowa homeland

BY OUR JOHANNESBURG CORRESPONDENT

RUSTENBURG, South Africa's largest platinum mining company, is expected to sign an agreement with the Lebowa Development Corporation today, giving the black "homeland" an interest in the company's Atok mine.

Atok is small compared with Rustenburg's other operating mines and was bought from Anglovaal about 10 years ago when it was suffering from ore reserve problems.

In the late 1970s, according to unofficial reports by former

company executives, the Lebowa became concerned over Rustenburg's tardiness in establishing mining operations on the Maandagshoek farm which lies inside Lebowa near the town of Steelpoort and about 40 km south of Atok. It contains Merensky and UGS platinum-bearing reefs.

Lebowa had been insisting that Rustenburg start mining Maandagshoek by 1987 at a minimum monthly rate of 50,000 tonnes of ore or loose mineral rights in the area.

First Capital suspended for fourth time

By Roger Matthews in Singapore

TRADING in the shares of First Capital Corporation was suspended on the Singapore Stock Exchange yesterday for the fourth time in a fortnight.

The lunchtime announcement, at the company's request, helped trigger more wide spread selling, with the Straits Times index closing 23.36 points lower at 1,338.37.

The future of First Capital, a property company headed by Mr Alan Ng, has become the most speculative topic of conversation during the past week. But one broker said last night: "The problems of First Capital have merely acted as a catalyst. The market has been going up in such a straight line for so long, there was bound to be a correction."

Three directors of First Capital, including Mr Ng, have made statements to the Commercial Affairs Department of the Ministry of Finance about share dealings. Rumours surrounding the investigation have almost certainly ruled out a rights issue through which First Capital was planning to finance its latest property acquisition.

U.S. \$100,000,000 Fortune Federal Savings and Loan Association

Collateralized Floating Rate Notes Due 1992

Interest Rate	7 1/8% per annum
Interest Period	27th July 1987
	27th October 1987
Interest Amount per U.S. \$100,000 Note due 27th October 1987	U.S. \$1,820.83

Credit Suisse First Boston Limited
Agent Bank



TUBOS DE ACERO DE MEXICO, S.A.

US \$85,000,000
Floating Rate Notes due 1989

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period from 29th July, 1987 to 29th January, 1988 has been established at 9 1/8% per cent. per annum. The interest payment date will be 29th January, 1988. Payment which will amount to US \$1,213.89 per US \$25,000 Note and US \$242.78 per US \$5,000 Note, will be made against the relative coupon.

Agent Bank
Bank of America International Limited

UK BANKING

The Financial Times proposes to publish the above Survey on
MONDAY SEPTEMBER 21 1987
For further information regarding advertising in this Survey, contact:

DAVID REED
Financial Times, Bracken House
10 Cannon Street, London EC4A 3DF
Tel: 01-248 8000
Telex: 885033

NOTICE TO THE HOLDERS OF THE OUTSTANDING

KUBOTA, LTD.
(the "Company")

Bearer Warrants to Subscribe up to Japanese Yen 20,000,000,000 for Shares of Common Stock of Kubota, Ltd. Issued with Japanese Yen 20,000,000,000 3 per cent. Bonds Due 1991

At the Ordinary General Meeting of Shareholders of the Company held on 26th June, 1987 a resolution was adopted to amend the Company's Articles of Incorporation so as to change the Company's financial year-end from 15th April to 31st March. As a result of the change, the Company will have a transitional financial period (the "transitional financial period") running from 16th April, 1987 until 31st March, 1988 and, thereafter, its financial year will run from 1st April to 31st March the following year. In addition, the record dates for the payment by the Company of annual dividends will be 31st March and those for interim dividends will be 30th September, 1988 and 30th September each year thereafter. Because of the statutory restriction for the payment of interim dividends, no interim dividend will be paid for the transitional financial period but if dividends are to be paid for such period, such dividends will be paid for the entire period following the shareholders' approval in June, 1988.

Pursuant to the above change, the definition of "Dividend Accrual Period" contained in Condition 4 of the Terms and Conditions of the Warrants will be changed, as follows: ("Dividend Accrual Period" means the period commencing on 16th April, 1987 and ending on 31st March, 1988 and, thereafter, each six-month period ending on 30th September or 31st March in each year, unless changed by the Company in accordance with Clause 4 (E)(iii) of the Instrument.)

Any shares of common stock of the Company ("Shares") issued upon exercise of any Warrants during the transitional financial period will rank in full for any dividends declared in respect of such period; any Shares issued on exercise of Warrants on or after 1st April, 1988 will rank in full for any dividends or interim dividends declared in respect of the relevant six-month period ending 31st March or 30th September during which the Warrants are exercised.

All other aspects of the Warrants and the Instrument will not be affected by the above change in the Company's financial year-end.

KUBOTA, LTD.
Shigekazu Mase
President and
Representative Director

Dated: 28th July, 1987

NOTICE OF PREPAYMENT

THE MITSUI TRUST & BANKING CO., LTD.
(Incorporated with limited liability in Japan)

U.S.\$10,000,000
Callable Negotiable Floating Rate Dollar Certificate of Deposit

Certificate No. 000001 to 000010 issued on 29th August, 1983, Maturity 31st August, 1988, Callable in August, 1987.

Notice is hereby given in accordance with the conditions of the above Certificate of Deposit (the "Certificate") as printed on the reverse of the Certificate that The Mitsui Trust & Banking Co., Limited (the "Bank") will prepay all the outstanding Certificates on 28th August, 1987, (the "Prepayment Date"), at their principal amount.

Payment of the principal amount, together with accrued interest to the Prepayment Date, will be made on the Prepayment Date against presentation and surrender of the Certificate at the London Branch of the Bank at 88 Bishopsgate, London EC2M 3XD.

Interest will cease to accrue on the Certificates on the Prepayment Date.

CHEMICAL BANK INTERNATIONAL LIMITED,
as Agent Bank
28th July, 1987

NEW ISSUE

2,200,000 Shares

FORSTMANN®
Forstmann & Company, Inc.

Common Stock

The Robinson-Humphrey Company, Inc.

Lazard Frères & Co.

A. G. Edwards & Sons, Inc.

J. C. Bradford & Co.

Carolina Securities Corporation

Howard, Weil, Labovitz, Friedricks

Interstate Securities Corporation

Johnson, Lane, Space, Smith & Co., Inc.

Edward D. Jones & Co.

Legg Mason Wood Walker

Morgan Keegan & Company, Inc.

Neuberger & Berman

Oppenheimer & Co., Inc.

Prescott, Ball & Turben, Inc.

Raymond James & Associates, Inc.

Wheat, First Securities, Inc.

July, 1987

Series 063

US\$42,000,000
Short-term Guaranteed Notes
issued in Series under a
US\$280,000,000
Note Purchase Facility
by

Mount Isa Mines
(Coal Finance) Limited

Notice is hereby given that the above Series of Notes issued under a Production Loan and Credit Agreement dated 30th March, 1983, carry an Interest Rate of 7 1/8% per annum. The Issue Date of the above Series of Notes is 29th July, 1987, and the Maturity Date will be 29th January, 1988. The Euro-clear reference number for this Series is 73328 and the CEDEL reference number is 921017.

Manufacturers Hanover Limited
Issue Agent

29th July, 1987



28th July, 1987

Die Erste Österreichische Spar-Casse-Bank
First Austrian Bank

(Established in Austria with limited liability in 1819)

US\$50,000,000

Subordinated Floating Rate Notes Due January 1992

Notice is hereby given pursuant to the Terms and Conditions of the Notes that for the six months from 28th July, 1987 to 29th January, 1988 the Notes will carry an interest rate of 7 1/8% per annum. On 29th January, 1988 interest of US\$378.944444 will be due per US\$10,000 Nominal against Coupon No. 8.

Agent Bank
ORION ROYAL BANK LIMITED
A member of The Royal Bank of Canada Group

APPOINTMENTS

New John Laing company posts

The board of directors has been formed for the recently launched JOHN LAING EYE company. John Laing EYE (Energy, Technology and Environment) is a separate holding company within the Laing Group. The company is led by chairman and managing director Mr Philip Rees. He will be supported by a team of directors—Mr Alan Chaney, Mr Clive Freestone, Mr Nigel Pitcher, Mr Jon Sushan and Mr Peter Westwood.

The SAVOY HOTEL has appointed Sir Oliver Wright as a director. Sir Oliver has recently retired from the diplomatic service as Her Majesty's Ambassador in Washington.

Mr E. F. T. (Paddy) Cribb, a director of Freemans, has been elected chairman of the MAILING PREFERENCE SERVICE. He succeeds Mr John Scott, who remains a director.

COUNTY NATWEST has recruited Mr Paul Lucas, formerly head gifts trader at Lloyds Merchant Bank, to join its own gift-edged market-maker. Mr Lucas will be joining as an associate director to strengthen the trading team.

Mr Julian Summer has been appointed an executive director of MERRILL LYNCH EUROPE as head of equity syndicate. He was previously with Swiss Bank Corporation International (SBCI), where he became an executive director in 1985 with senior marketing responsibilities, including Canada.

Mr D. S. McAdam has been appointed finance director of ISLE OF MAN ENTERPRISES. Mr R. A. Dwyer remains on the board as a non-executive director.

Mr James F. Schmitt, chief executive of North American operations, has been appointed to the board of CADBURY SCHWEPPES.

Mr John Lusty has been appointed financial director of INCOMTEL engineering group. He was previously with Unilever.

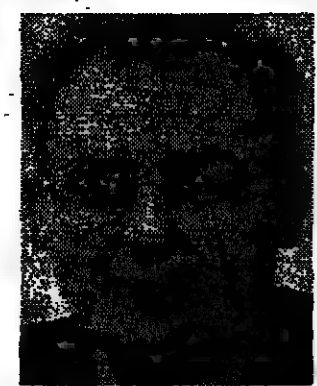
RINGTONS has appointed Mr Simon Montgomery Smith to its board. Simon is the great grandson of Samuel Smith, the founder of Ringtons.

CRANE FLUID SYSTEMS has appointed six board directors. Marketing manager Mr Guy Chant is appointed marketing director and sales manager Mr Arthur Hawker becomes sales director. The company has also appointed an operations director Mr Jack Lilley, a financial

director Mr Neil Guthrie and a purchasing director Mr Roy Nunn. A technical director will be appointed shortly.

The holding company of the DECOSOL GROUP has appointed Mr S. E. Kay as chairman. He was an executive director at Pilkington Brothers.

THOMSON TRAVEL has appointed Mr Paul Brett as deputy managing director of the Thomson Travel Group from September 1. He is managing



Mr Paul Brett, deputy managing director of Thomson Travel Group.

director Thomson Holidays. The new managing director of Thomson Holidays will be Mr Charles Newbeld.

BOVIS CONSTRUCTION has appointed executive director Mr Roger Mabey as head of the company's Scottish operations.

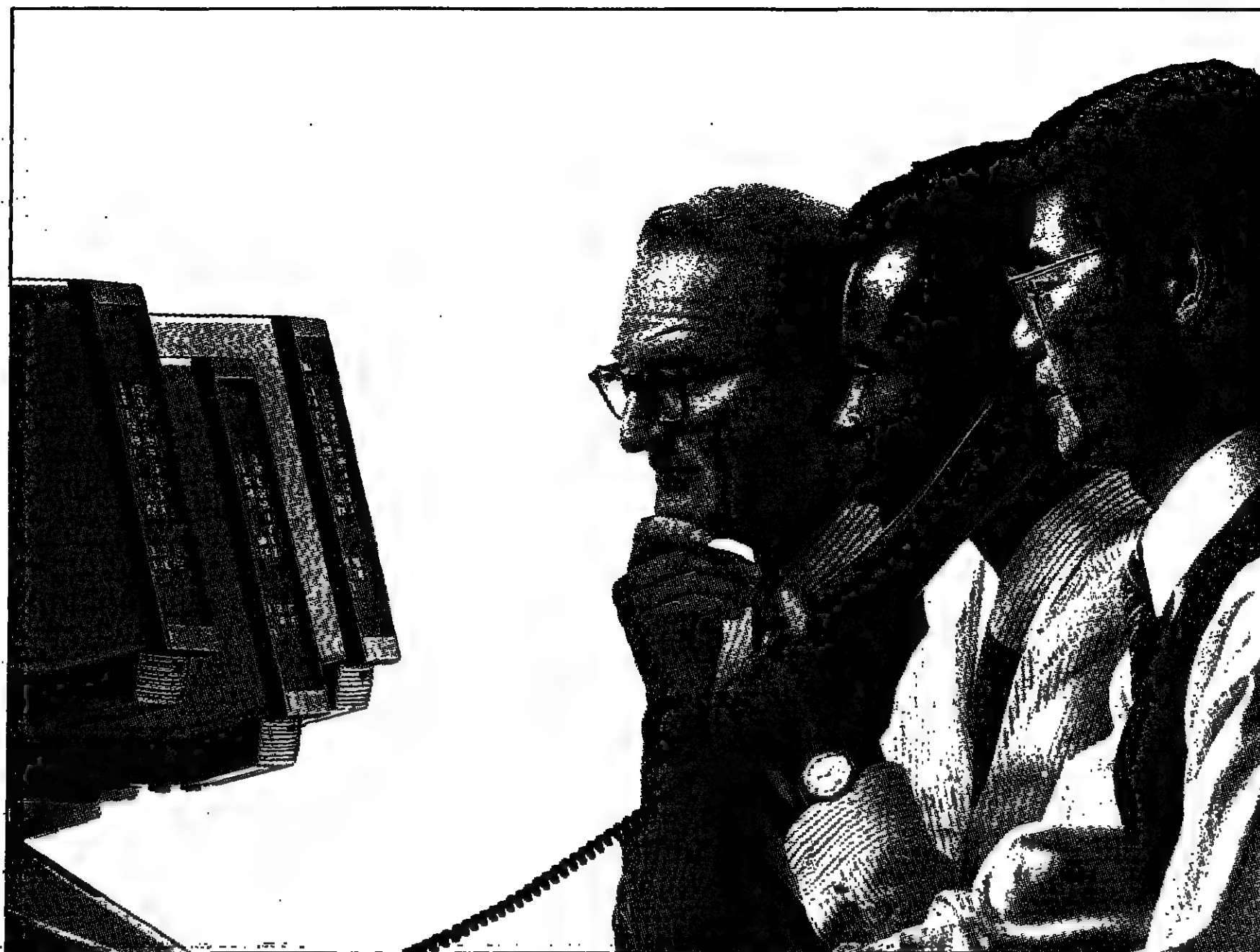
Mr Stephen Dawson, Mr Martin Mabey and Mr Ian Salkeld have been appointed partners of ECI VENTURES.

Mr R. L. Payton (a director of Great Portland Estates, and Mr A. Davies and Newman) and Mr A. Zambra (formerly managing director of various Trafalgar House subsidiary companies and a director of Trafalgar House Construction Services) have been appointed non-executive directors of ROSKOPF HOLDING COMPANY.

Mr Alan Miles, formerly Crown House Tableware's deputy managing director, has been appointed managing director of EDINBURGH CRYSTAL.

Mr David Stuart Hewitt, a partner with Ernest & Whitney in Manchester, has been appointed to the board of the CHESHIRE BUILDING SOCIETY as a non-executive director.

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UK COMPANY NEWS

Strong financial markets boost Reuters profit 43%

BY RAYMOND SNOODY

Reuters Holdings, the financial information and news group, yesterday announced pre-tax profits of £81.6m for the first half of 1987, up 43 per cent on the same period last year. Revenue of £400.4m was 49 per cent higher.

Mr Glen Renfrew, managing director and chief executive, said that demand from the financial markets was strong for Reuters information and dealing, and for client systems provided by its subsidiary Rich Inc.

Demand for client systems—total communications systems in dealing rooms—increased by nearly 1½ times and accounted for 16 per cent of total revenue.

Mr Renfrew said Reuters was still looking for acquisitions but the company was getting increasingly choosy and "the big task now is to integrate the acquisitions of the past couple of years."

The main revenue growth came in Europe, up 60 per cent at £226.4m, but Reuters North America also increased its revenues from £58m to £80.6m—a rise of 44 per cent.

The Reuters chief executive conceded that Instinet, a recent acquisition which provides an international automated trading facility for equities and options, was still losing money but said he hoped it would be in profit by next year.

Information about money in all its forms accounted for 56 per cent of Reuters revenues with securities 13 per cent, commodities 8 per cent, and with media interests falling to only 7 per cent of total revenues.

Mr Renfrew said he was not happy to see media as such a small proportion of the whole but that the 1½ per cent growth in the sector had prompted

by the percentages coming from financial services.

Profit after tax rose by 44.8 per cent to £51.4m and earnings per share rose by 43.1 per cent to 12.2p from 8.5p.

An interim dividend has been declared of 2.3p compared with 1.75p—an increase of 31 per cent.

The number of installed video terminals rose 41.4 per cent to 121,278 from 85,799 a year ago.

Mr Renfrew warned that the company did not expect results for the year as a whole to match the large percentage gains in the first half, largely because of the strong performance in the second half of 1986.

However, new orders are buoyant and, subject to currency and other uncertainties, we do expect continued good progress in line with Reuters high growth targets, Mr Renfrew said.

See Lex

Gestetner jumps to £8.5m

BY CLAY HARRIS

Gestetner Holdings, the office equipment group, increased pre-tax profits by two thirds and more than doubled earnings per share in the first half, as the new Australian management displayed the first fruits of its cost-cutting regime.

It predicted that results in the second half, traditionally a slack period, would at least match the interim figures.

Extraordinary provisions of £9.5m were likely to be sufficient to complete the "group revival plan" put into effect by AFP Investment Corporation, which owns 14 per cent of Gestetner. Only £1.5m of the costs were actually incurred in the first half.

The company has already closed the stencil manufacturing unit at Appeldorn in the Netherlands, closed Gestetner Byfleet, its drum manufacturing and service subsidiary, and stopped US development of desk-top publishing. It has also closed its Norwegian sales operation and begun the restructuring of sales networks in the UK and North America.

In addition to its shake-up of the worldwide distribution, Gestetner at present is concentrating on "incremental enhancements" to its existing range rather than blockbuster

new products, Mr Basil Sellers, chairman and managing director, said yesterday.

According to Mr Gregory Melgaard, deputy chairman, these included a labelling machine built by Merline of the US, a facsimile machine built by Xerox, and an offset printer.

All examples illustrate AFP's intention to cash in on the Gestetner name and sales network and to minimise the company's own manufacturing operations.

The pre-tax advance from £5.1m to £8.5m came on turnover 12.4 per cent ahead at £216.6m in the 26 weeks to May 2. At the operating level, margins improved from 4 per cent to 5 per cent.

Turnover increased in every market and profits were ahead everywhere, the chairman said, with the western hemisphere, which was hit by problems in Canada and Latin America.

The dramatic improvement in earnings per share reflected a sharply lower tax charge, which the company expects to maintain at the same level for the full year. Gestetner reported basic earnings of 9.91p (4.73p) and a figure of 8.09p (3.91p) taking into account the dividend if AFP exercises its share options.

The interim dividend was maintained at 0.5p on ordinary shares and raised to 0.075p (0.071p) on ordinary capital shares.

● comment

The Australian strategy is going to plan and has lifted Gestetner much more quickly than supporters, not to mention sceptics, expected. The £15m second wave of capital looks increasingly irrelevant to Gestetner's foreseeable needs and is unlikely to be summoned until AFP revs up the vehicle for new excursions.

UK profits would come in handy in this regard to help to soak up an ACT backlog of £3.7m. In the meantime, AFP's initial £14m injection and the positive cash flow from operations should be sufficient to fund the meagre capital requirement for the present course. Margins should continue to improve in the second half, with pre-tax profits reaching £15m for the full year, excluding an expected £9m exceptional credit from property sales. This puts ordinary shares, 7p higher at 280p, and ordinary capital shares, up 31p to 280p, on a prospective multiple of 16. They should float even if others sink.

Quadrex approach to Mercantile House

By Clay Harris

Quadrex Securities, the London-based investment banking company, said yesterday that it had approached Mercantile House Holdings, the financial services group which has accepted a £450m takeover bid from British and Commonwealth Holdings, with an alternative proposal.

Both B & C and Quadrex also disclosed market purchases of Mercantile shares on their behalf.

Mr Gary Klesch, Quadrex chairman, said that he had approached Mr John Barkshire, Mercantile chairman, at 3 pm on Friday. "I presented them with a proposal worth significantly more than the B & C offer," he said.

Mr Klesch would not disclose the terms of his proposal. It is believed, however, that any formal bid would depend on Mercantile agreeing to a partial demerger. Quadrex would not want Oppenheimer, the US fund manager, to be involved in the money-raising activities which B&C has agreed to sell to Credit Lyonnais.

Mercantile and S. G. Warburg, its merchant bank, were not available to comment. Mr John Gunn, B&C chairman, said that his company's advisers learned of the Quadrex approach only after the share purchases were announced yesterday. Warburg told B&C's advisers that the proposal did not involve an alternative bid, Mr Gunn said.

Market purchases yesterday of 6.15m shares at 335p by Barclays de Zoete Wedd and Phoenix Securities raised B&C's interest in Mercantile to 12.7 per cent. B&C had to wait until yesterday to buy because it only became clear late on Friday how many Mercantile shares were held by the various constituents of the group, including the Gartmore funds, and which if any would be deemed to be held in concert.

Samuel Montagu announced meanwhile that it had bought a total of 1.18m Mercantile shares last Friday and yesterday at prices ranging between 500p and 535p. Although Montagu acted as principal, any profits or losses on the stakes accrue to Quadrex. The total stake held under these arrangements is now 2.3 per cent.

Terry Dodsworth on GEC's latest US acquisition

Chipping away at the cash mountain

THE General Electric Company made a couple of strong statements about its acquisition policy yesterday.

The first, the £250m deal to purchase Gilbarco of the US, underscored its strategy of transatlantic investment in areas related to its UK activities.

The second, contained in the chairman's annual message to shareholders, emphasised that the new, hyper-active approach would continue.

Gilbarco is the fifth deal announced by the UK electrical and electronics group in the last four months. It is also the biggest, involving a cash payment of £250m, and bringing manufacturing activities employing 3,500 people around the world into the group.

As a result of the transaction, GEC's petrol pump and service station equipment manufacturing business will have around 40 per cent of the US market and 50 per cent of the UK's.

Given GEC's size, with sales last year of almost £6bn, the expenditure on Gilbarco may sound like small beer. But GEC has made it abundantly clear over the last few months that it is now set firm on a course to spend some of its celebrated cash mountain, standing at the end of March at about £1.8bn. Gilbarco is only one deal in a sequence of transactions which can be expected to continue—the point rammed home yesterday in the statement by

Mr James Prior, the group's chairman.

In this message to shareholders, Mr Prior said that the company was looking for expansion both through acquisition and "joint arrangements", stressing that GEC was positioning itself to take advantage of restructuring in the electrical, electronics and power generation businesses.

New technology, he said, tended to reduce the number of companies that could be sustained by world demand, and rationalisation would continue in the UK and Europe.

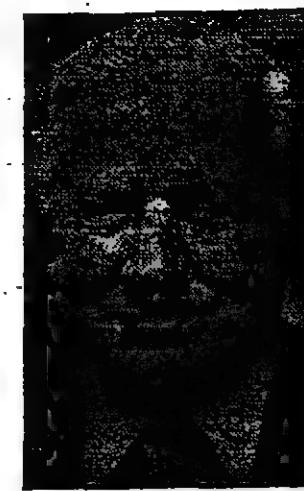
"We are ready to play our part and to take a constructive stance on how the appropriate changes can best be achieved."

Mr Prior's statement does not, however, answer one of the key questions the City is asking about GEC: will it go for a blockbuster bid that would not only eradicate the cash mountain, but give the company a decisive change of direction?

There is probably no simple answer to these takeover strategy questions. If the right, large-scale acquisition opportunity emerged, GEC would undoubtedly take it.

But investors have become increasingly aware over the past few years that the group's caution and stringent requirements for return on investment put a large number of possibilities out of its range.

In addition, many big takeover prospects in the UK are



Jim Prior, chairman of GEC

fraught with monopolies problems which the group has no stomach to take on. The Monopolies and Mergers Inquiry into the Plessey bid, and while there are plenty of openings for large acquisitions in the US, they tend to be too expensive for GEC's taste.

Because of these constraints on prospective mega-deals, there is a growing feeling among investors that GEC will confine itself to smaller projects such as the Gilbarco acquisition.

These have the advantage of playing to one of the strengths of the group, namely, its decentralised management structure which can throw up information about acquisition opportunities which is not immediately available to head office.

Indeed, the Gilbarco transaction arose in just this manner, when the Power Distribution Group, run by Mr Douglas Gadd, realised a few weeks ago that the US company was open to offers.

"The whole deal was negotiated in just two and a half weeks," says Mr Gadd.

GEC ACQUISITIONS AND MERGERS SINCE APRIL 1987

Pickers joint venture with Philips medical electronics—GEC to put in between £150m and £200m.

Hotpoint: acquisition of Coda domestic appliance business for £125m.

Avery: 31 per cent stake in measuring equipment business of Briel of the Netherlands—£4m.

Computer division: acquisition of Micro Scope software group for £16m.

Power Distribution Group: acquisition of Gilbarco for £250m.

Greggs advances 24% to £1.1m

Greggs Newcastle-based baker and retailer of groceries and provisions, lifted its pre-tax profits, before property disposals, by 34 per cent to £1.15m in the 24 weeks ended June 13.

After taking in profit on property disposals the increase was 51 per cent to £1.5m compared with £911,000 for the corresponding period of the previous year.

Mr Ian Gregg, chairman, said that consistent progress was being made in all of the established divisions. The company had also made considerable progress in its Welsh division but was experiencing more difficulties than envisaged in its new English division. But Mr Gregg said the potential remained huge in London and the south.

Six new shops had been opened since the beginning of the year and a further seven were planned. After allowing for closures and restates the company would have a lower than normal number of additional shops, the main priority being to re-fit more existing shops in line with its new corporate image.

Results for the full year, Mr

Gregg said, were expected to show a steady improvement on last year.

Turnover in the first 24 weeks rose from £24.6m to £28.02m and operating profits were up from £858,000 to £1,030m. Interest received was £74,000 (£53,000) and charges were £452,000 (£364,000) and minorities amounted to £8,000 (£15,000).

Earnings per 39p ordinary worked through at 6.75p (4.94p). The interim dividend is 1.5p (1.25p) from 5p to 2.5p; the total payment last year was 5.7p.

● comment

Greggs is taking things slow and steady, but producing respectable profits growth along the way. This is despite having to expend considerably more time and energy on the English acquisition than was expected, including gutting and renovating the bakery and replacing the fleet of delivery vans. Shop refurbishment likewise continues at a steady pace, with new style outlets producing between 10 and 20 per cent sales growth. The management

admits that the remainder of the year will see consolidation as well as growth, with some shops closed or restated. The group has around £2.8m in cash, but is in no hurry to spend it unless the right acquisition comes along. The Welsh chain is expected to produce a profit in the second half of this year and Enfield by next year, helped by the arrival of a new sales director from the Birmingham operation. The City expects around £3.5m a year, which on last night's closing share price of 496p produces a prospective p/e of around 22, a slight premium to the sector and seen as a medium to long-term option.

The Gilbarco announcement was not greeted with great enthusiasm in the City yesterday, which left GEC's shares unchanged at 284½ of the close after an earlier setback.

Part of this was probably a reaction to the group's failure to acquire the avionics activities of Lear Siegler, the Californian avionics company which was bought by Smiths Industries of the UK last week.

Avionics is a high-profile, high-technology business, whereas the perception of Gilbarco is of a medium-technology group operating in a mature market.

Nevertheless, Gilbarco fits perfectly with the current style of GEC acquisitions. It will consolidate GEC's position in a niche market world-wide, holds out some possibility of technological cross-fertilisation, and was acquired at a price—about 17 times earnings on last year's figures.

Despite the low technology image, it gives GEC a bigger foothold in the developing market for computerised point-of-sale terminal equipment, which is now big business in the US petrol station market.

Over time, some analysts believe that this sort of infilling strategy, building up world competitors from its present base, could make a big impact on GEC's earnings.

But even the optimists believe that this sort of infilling will take time to work through in any significant fashion—which is why there are still many punters who believe that GEC will be forced to make a major acquisition if it is to answer the criticisms about its faltering growth.

Indeed, the Gilbarco transaction arose in just this manner, when the Power Distribution Group, run by Mr Douglas Gadd, realised a few weeks ago that the US company was open to offers.

"The whole deal was negotiated in just two and a half weeks," says Mr Gadd.

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	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Astra Holdings	0.25	—	—	0.25	—
Baker Harris	1.2	Oct 2	—	1.2	—
Baltic	2	—	11	1.4	3.51
Border TV	0.25	—	0.8	1.05	1.28
Brown	0.25	—	0.63	1.35	1.13*
Bullough	0.25	Sept 9	3.3	—	10.8
Control Techniques Int	1.25	Sept 20	1	—	3
Cowan de Groot	11.25	Oct 1	1.25	2.5	2.5
Gestetner	0.5	Sept 18	0.5	—	1.5
Greggs	2.5	Oct 12	—	—	5.7
Robert H. Lewis	11	Sept 3	0.5	—	1.7
Moulden Group	3	Oct 1	1.17*	3	1.67*
Newman Inds	0.5	Nov 2	0.5	—	1.3
Reuters	2.2	—	1.75	—	5.5
Tribble Harris	1.64*	—	—	—	—

* Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † In capital increased by rights and/or acquisition issues. ‡ US\$ stock.

§ Unquoted stock. ¶ Third market. † Dividends totalling 3.5p were paid for 17 months period equivalent to an annual rate of 2.47p which would have been paid as 1p interim and 1.47p final.

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40	84 Airplay and Modem	40	—	4.3	10.5	8.8
142	67 BSE Design Group (USM)	125	+8	2.1	1.8	19.3
159	108 Bardon Hill Group	159	—	2.7	1.7	27.2
176	85 Bay Technology	176	—	4.7	3.7	14.0
247	130 BGL Group Ordinary	248	—	11.5	4.8	8.4
137	38 CCL Group 1st Conv. Pref.	137	—	16.7	11.9	—
153	324 Carborundum Ordinary	153	—	5.4	3.5	13.3
94	91 Carborundum 7 1/2% Pref.	98	—	10.7	11.5	—
108	87 George Blair	108	—	3.7	3.4	2.8
143	118 Iala Group	120	—	—	—	—
76	59 Jackson Group	76	—	3.4	4.5	8.4
440	321 James Burrough	440	—	13.2	4.1	10.0
87	88 James Burrough Sp. Pref.	87	—	12.9	13.3	—
260	810 Multibond NV (Amster)	230	-20	—	—	21.8
615	351 Ricard Highway Ordinary	615	—	1.4	—	10.4
50	53 Ricard Highway 10% Pref.	50	—	14.1	16.3	—
91	80 Robert Jamies	91	—	—	—	3.5
124	42 Sorbusone	124	—	—	—	—
183	141 Torday and Carline	183	—	8.8	3.4	9.4
420	321 Torday Holdings	420	—	7.9	1.9	8.7
191	73 Unilock Holdings (SE)	128	—	2.8	2.2	23.8
155	115 Walter Alexander	155	+3	5.9	3.0	14.4
199	190 W. S. Yates	199	—	17.4	6.0	19.5
175	85 West Yorks. Ind. Hosp. (USM)	137	—	6.5	4.0	14.5

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COLLATERALIZED MORTGAGE OBLIGATION TRUST SEVENTEEN

Schlumberger SCHLUMBERGER SECOND QUANTER EARNINGS

New York, New York, July 20 — Schlumberger reported net income from continuing operations in the second quarter of \$30 million, or \$0.11 per share, compared to \$28 million, or \$0.27 per share in the same period of 1986. The 1986 second quarter results exclude a loss of \$20 million, or \$0.08 per share, at Fairchild Semiconductor which is reported as a discontinued operation.

Revenue from continuing operations in the second quarter was \$1.11 billion versus \$1.27 billion, a year earlier.

For the first six months of 1987, net income from continuing operations was \$58 million, or \$0.13 per share, compared to \$271 million, or \$0.52 per share, earned in 1986. Revenue was \$2.21 billion compared to \$2.02 billion. The 1986 six months results exclude a loss of \$98 million, or \$0.23 per share, at Fairchild Semiconductor, which is reported as a discontinued operation. Euan Reid, Chairman, commenting on the results, said: "It is encouraging that all Schlumberger operating groups had better results compared to the first quarter of 1987. In particular, improved price levels of our services, the overall results of Offshore Services and the very significant cost reductions undertaken in 1986 and continuing to improve."

Notes: Readers interested in receiving Schlumberger quarterly reports can write or telephone to:

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BANK OF CHINA US Dollar Floating Rate Notes due July 1996 — WKN 478 543 —

UK COMPANY NEWS

Holmes à Court lifts Sears stake to 5.51%

By Nikki Tait

Mr Robert Holmes à Court, the Australian entrepreneur, yesterday confirmed that he has increased his stake in Sears, the UK stores and footwear group.

Through Perth-based Bell Group and an associate company, J. N. Taylor, the direct interest in Sears has risen from 5.07m shares to 5.51m or 5.51 per cent. With Sears shares up 4p at 178½p yesterday, the stake is valued at \$12.6m.

However, Mr Holmes à Court also appears to have been active again in the London-traded options market. The two companies have now written put options involving 20m Sears shares. When the initial Sears stake was disclosed two weeks ago, the put options involved 15.5m shares.

Blue Circle £22m US buy

Blue Circle Industries has acquired Bala Industries, an aggregates and ready-mix concrete producer in New Jersey. Total consideration including debt was approximately \$22m (£2.2m).

Bala has extensive aggregate reserves and currently produces around 1m tons of aggregate a year. It is also the largest ready-mix concrete producer in northern New Jersey, producing over 700,000 cubic yards a year from eight locations.

The acquisition strengthens Blue Circle's position in the north-east of the US where it already has substantial cement manufacturing and trading interests.

Hawley in £14m Australian deal

Hawley, the services company chaired by Mr Michael Ashcroft, is to buy Berkeley Group, an Australian cleaning company, for A\$11m (£1.7m).

Berkeley, which refurbishes building exteriors and cleans offices, hospitals and schools, will be added to the group's existing building services company, Challenge Property Services.

Mr Ashcroft also announced the group has completed the purchase of Crime Control, the US security group, for \$51m (£3.2m).

Powell Duffryn buys HPS for £2.85m

Powell Duffryn, the fuel distribution, bulk storage and shipping group, has bought the fuel distribution operations of Hunting Petroleum Services for £2.85m.

The business operates primarily in the Midlands and South-east, with 50 per cent of sales going to petrol stations. Nineteen-eighty-six turnover was £22m.

The acquisition complements Powell's subsidiary, UK Petroleum Products.

Mountleigh meets City forecasts with £34m

By PAUL CHEESBRIGHT, PROPERTY CORRESPONDENT

TRADING INCOME of Mountleigh, the West Yorkshire based property group, exploded during the last financial year, lifting pre-tax profits more than three and a half times to £33.57m.

Mountleigh announced yesterday a final dividend of 2p a share, which added to the interim adjusted for the five-for-one scrip issue, brought total payments for the year to 3p, against an adjusted 1.67p for 1985-86.

Earnings per share, fully diluted, were 17.74p after 11.21p in the previous financial year.

Pre-tax profits for the year to April 30 rose by £24.34m from £9.23m earned in 1985-86. Turnover was £135.05m compared with £42.38m, as trading revenue climbed to £124.78m from £37.10m and rental income nearly doubled to £10.22m.

The figures were at the top end of the City's expectations, but, with the market trading indecisively, the Mountleigh shares, which have been a favourite in the sector, managed only a rise of 5p to 307p.

The bulk of Mountleigh's

income stems from property trading—it has only a small although growing development business.

Over the past financial year it sold on the greater part of the London City and Westcliff portfolio and the United Real Property Trust holdings. But the latter entered the figures below the line, as investment properties, leading to a profit of £26.6m, transferred to capital reserves.

After the payment of dividends, the retained profit was £16.2m, a further boost to the company's resources. At the moment it has £26m in cash holdings and £10m in unused financial facilities.

● comment

The heady level of profits at Mountleigh has come on the back of the strong property market in the south east. This has allowed full rein to the opportunism that is the hallmark of the management style adopted by Mr Tony Clegg, the chairman. More sales are in prospect—the former home of The Times in Grays Inn Road,

central London should come through shortly. But the current year's figures will depend crucially on Mountleigh's ability to trade on the Stockley portfolio it bought for £365m last May. The Stockley business park near Heathrow will be held until completed and let but City properties will be sold on after joint ventures have been tidied up. Given its stock of prime trading properties, Mountleigh should manage to keep up its steady profits growth at least for the current year. Predictions of £20m pre-tax for 1987-88 are therefore not unrealistic. This would give earnings per share of 21.8p and a prospective p/e of 14.1. At the end of the last financial year, the group had a net assets value per share of 170p but purchases this year should mean an increase to around 275p, narrowing the gap with the share price. How long Mountleigh can keep up the profits growth depends on the strength of the property market, the future of which is anybody's guess. But as a safeguard against the downturn there is a growing, if undramatic, stream of rental income.

Mr Maxwell said last night that he would not pursue his US legal battle against Harcourt Brace Jovanovich. This followed a ruling in a New York federal court on Friday which refused to grant an injunction against the US publishing group's \$36m (£1.87m) recapitalisation plan.

Harcourt had devised the "poison pill" in May to repel the \$2bn takeover bid from Mr Maxwell's British Printing and Communication Corporation, which withdrew its offer. BPCC then mounted a number of legal actions against the Harcourt plan in state courts. All of these failed.

Mr Maxwell said last night: "Although BPCC did not achieve its ultimate goal of acquiring HBJ, we are pleased that our efforts have greatly benefited the shareholders which included BPCC."

Maxwell ends his Harcourt legal fight

By Clay Harris

MR ROBERT MAXWELL said last night that he would not pursue his US legal battle against Harcourt Brace Jovanovich. This followed a ruling in a New York federal court on Friday which refused to grant an injunction against the US publishing group's \$36m (£1.87m) recapitalisation plan.

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Bristar purchase

Bristar, the S & W Berisford food subsidiary, has agreed in principle to buy Germain's, a Los Angeles-based seed company.

The acquisition is the first since Berisford launched Bristar, which includes British Sugar, as its agribusiness vehicle earlier this month.

Germain's breeds and pellets seeds, with wholly-owned subsidiaries supplying European markets, including the UK and Ireland. Total annual sales amount to about £16m. The price has not yet been disclosed.

Newman Tonks

Newman Tonks is entering the US debt and window market through the acquisition of Jenkins Manufacturing Company for \$5.7m (£3.8m).

Goode Durrant pays £26m for Laidlaw

By TERRY POVEY

Goode Durrant, the financial services, trading and property company yesterday announced an agreed offer of £26m for Ford distributor Laidlaw. Last week Goode made an £4.2m takeover of car hire company Northgate Motor Holdings.

Laidlaw, which has net assets including a possibly undervalued property portfolio worth about £8m, owns five Ford main dealerships. Mr Cedric Howson, a Goode director, said that together with Northgate it would form the company's motor division and would be run by existing management led by Mr Mac Robertson of Laidlaw. Goode's 10 per cent holding in motor dealer Perry Group was sold for £2m profit in May.

Mr Howson said that Goode planned to increase the number of dealerships it owned if Ford revised its current policy, which allows a maximum of

five, to allow ownership of up to eight. Ford has given oral approval of the Laidlaw takeover, he added.

The offer—six new Goode shares for every five in Laidlaw or 288p cash underwritten by stockbrokers Barclays de Zoete Wedd—has been accepted by holders of 87.8 per cent of the target company's shares. Full share acceptance would see the issuing of some 9.2m shares which would have negligible impact on Goode's earnings, said Mr Howson. In 1986, Laidlaw reported pre-tax profits of £1.1m on sales of £54m.

Among the attractions of Laidlaw was its portfolio of former motor sales sites available for development and its contract hire and leasing possibilities. Mr Howson said that this fitted in with Goode's plans to expand in both financial services and property, where it was actively looking for further acquisitions.

CRH makes two more US buys for £8m

By Hugh Carnegie in Dublin

CRH, Dublin-based construction materials group, formerly Cement Roadstone Holdings, yesterday announced two US acquisitions worth a total of \$13.5m (£8.42m).

Boorhem-Fields Inc, its 50 per cent associate in Texas and Oklahoma, is paying \$8m cash for the fixed assets and inventory of St Francis Materials, which produces 2m tons of aggregates annually from eight locations in Arkansas and sells to the highway, railroad and general construction sectors. Trading profits last year were \$1.4m on sales of \$9m.

CRH is buying for \$4.5m cash the assets of Miller Material Co, which makes concrete masonry in Kansas City. Its profits were \$1.18m on sales of \$4.3m.

Pre-tax profits of CRH rose 29 per cent last year to \$33.5m (£21.13m) and the company has spent £540m on acquisitions in Europe and the US this year, following £54m last year.

Operations outside the depressed Irish Republic contributed 68 per cent of profits in 1986.

Brasway

Brasway, West Midlands engineer, raised profits from £1.31m to £1.4m pre-tax in the year to May 3 1987. All divisions started the current year well and the directors said prospects remained extremely good both for the short and medium term.

A final dividend of 0.85p raises the total from an equivalent 1.125p to 1.35p. Shareholders will be offered shares as an alternative to the cash dividend. A further scrip issue on a one-for-one basis is also proposed.

Adscene mini offer for sale

By RICHARD TOMKINS

Adscene, a Kent-based newspaper publisher and printer, is to become only the second company to come to the stock market through the mini offer for sale method introduced by the Stock Exchange last October. The first was Computer People in May.

Stockbroker Capel-Cure Myers is selling 3.6m shares in Adscene at 110p each, half of them through a placing and half through an offer for sale.

The \$3.2m proceeds will be split evenly between the company and its founder, Mr Harry Lambert.

Adscene comprises two businesses. It publishes eight free weekly newspapers under the Adscene title in Kent, and it undertakes the contract printing of newspapers and magazines.

The prospectus for the flotation shows pre-tax profits rising from \$9,000 in 1982 to £1m in the year to May 1987 in spite of a downturn in 1985 caused by the unsuccessful launch of four new editions in the Midlands and Sussex.

The shares are being offered on an "historic price/earnings

multiple of 17.7. Capel-Cure Myers says the mini offer for sale method has been chosen to give Adscene readers an opportunity to subscribe for the shares.

The prospectus notes that Mr Lambert was fined £2,000 for VAT offences relating to the period 1979 to 1982.

● comment

The market's lack of experience with freeshare publishers makes Adscene tricky to assess. On the downside, the newspapers are already at saturation point in their home territory and the 1988 experience shows the dangers inherent in attempting to start new titles.

The printing side has produced big profits increases in the wake of demonisation and the introduction of new web offset presses, but the plants are approaching full capacity and further investment will be required if the momentum is to be sustained. Further, any downturn in the currently buoyant advertising revenues would set into profits. But advertising revenues are still growing, the company says

existing inquiries would justify spending on more printing capacity, and a quotation will be given to expand its publishing operation by acquisition. In the long term, that might test the breadth and experience of the existing management: but for now, the price does not look overly demanding for a company likely to show 25 per cent profits growth this year, and Adscene readers will doubtless see the offer well subscribed.

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SHARE STAKES

Kalon Group—Director J. B. McDonald exercised option and sold 150,000 ordinary at 68.5p. James Finlay—Director A. E. Mortimer exercised his option and acquired 35,000 ordinary at 58p and disposed 32,000 ordinary at 124p. He now holds 13,433 (0.0144 per cent).

Walsley—Director S. Lavender sold 164,900 shares at 38p; director A. E. Burnett sold 10,000 shares at 35p. Dixons—Director M. J. Souhami sold 81,500 ordinary

at 373p. A family trust of which he is a trustee sold 18,500 ordinary at 573p.

Unigate—Director A. R. Dare sold 20,000 ordinary at 435p. Travis and Arnold—Director R. C. Godbar acquired 17,500 shares at 25p and disposed of 6,500.

Folkes Group—The following directors sold non-voting ordinary: C. J. Folkes (70,000); C. J. Folkes Children's Trust (30,000); D. J. Newey (40,000); and Mrs M. L. Newey (10,000).

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July 1987

NOTICE OF REDEMPTION
To the Holders of
INA OVERSEAS FINANCE N.V.
(now CIGNA Overseas Finance N.V.)
6% Convertible Subordinated Debentures
Due August 1, 1997
and
8% Convertible Subordinated Debentures
Due September 1, 2000
(Convertible into Common Stock
of CIGNA Corporation)

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indentures dated as of August 1, 1977 and September 1, 1980 among INA Overseas Finance N.V. (now CIGNA Overseas Finance N.V.) (the "Company"), INA Corporation, as Guarantor, and Morgan Guaranty Trust Company of New York, as Trustee, under which the above Debentures (the "Debentures") were issued, as modified by the First Supplemental Indentures dated as of March 22, 1982, among the same parties and, in addition, INA Merger Corporation and CIGNA Corporation (hereinafter collectively referred to as the "Indentures"), the Company has elected to redeem all of the outstanding Debentures on September 2, 1987 (the "Redemption Date") at the Redemption Price of 100.5% of the principal amount of the 6% Debentures and 101.5% of the principal amount of the 8% Debentures, together in each case with accrued interest to the Redemption Date.

For each \$1,000 principal amount of 6% Debentures, the Redemption Price will be \$1,005 and accrued interest from August 1, 1987 to the Redemption Date will be \$5.1667, for an aggregate amount of \$1,010.1667. For each \$1,000 principal amount of 8% Debentures, the Redemption Price will be \$1,015 and accrued interest from September 1, 1987 will be \$2.431, for an aggregate amount of \$1,017.431. On the Redemption Date, the Redemption Price and accrued interest will become due and payable upon each Debenture. Interest on the Debentures will cease to accrue on the Redemption Date and no interest will accrue in the Debentures thereafter. The coupons on the Debentures maturing after the Redemption Date will be void.

Payment of the Redemption Price and accrued interest will be made upon presentation and surrender of the Debentures, together with all coupons appertaining thereto maturing after the Redemption Date, either, at the option of the holder and subject to any laws or regulations applicable thereto in the country of any such office, (a) with respect to all Debentures, at the Corporate Trust Office of Morgan Guaranty Trust Company of New York, 80 West Broadway, 19th Floor, New York, New York 10015, or at the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt/Main, London, Paris and Zurich, Banque Internationale à Luxembourg S.A. in Luxembourg, Credit Suisse in Zurich, Deutsche Bank AG in Frankfurt/Main, Morgan Grenfell & Co. Limited in London and Citibank Limited in London; or (b) additionally, with respect to the 6% Debentures, at the main office of Banque de Suez Luxembourg S.A. in Luxembourg; or (c) additionally, with respect to the 8% Debentures, at the main office of Banque Bruxelles Lambert S.A. in Brussels and Swiss Bank Corporation in Basel.

Conversion Option

Holders of the Debentures have the right under the Indentures, on or before the close of business on August 28, 1987, (1) to convert each \$1,000 principal amount of the 6% Debentures into (a) 26,392.4 shares of Common Stock of CIGNA Corporation ("Common Stock") and (b) at such holder's election, either an additional 2,639.24 shares of Common Stock or cash in the amount of \$132.5355 and (2) to convert each \$1,000 principal amount of the 8% Debentures into (a) 20,319.0 shares of Common Stock and (b) at such holder's election, either an additional 1,588.0 shares of Common Stock or cash in the amount of \$101.8064.

The elections set forth in sections (1)(b) and (2)(b) above arise from the redemption on July 13, 1987 of all of the \$2.75 Cumulative Convertible Preferred Stock ("Series A Stock") into which Debentures were formerly convertible. The Indentures provide that holders who elect the conversion option have the right to receive either the Common Stock into which such Series A Stock was convertible at the conversion ratio of .42212 of a share of Common Stock for each share of Series A Stock that would have been received upon conversion prior to redemption of the Series A Stock, or to receive cash equal to the redemption price he would have received if he had converted his Debentures into Series A Stock and then had such stock redeemed, without interest or dividends in the case.

In order to exercise the conversion privilege, holders of Debentures to be converted must surrender such Debentures with all unexpired coupons appertaining thereto at any of the offices of the Paying Agents specified above before the close of business on August 28, 1987. Debentures surrendered for conversion must be accompanied by written notice executed by the holder specifying that the holder elects to convert such Debentures and specifying whether he elects additional Common Stock or cash in place of the Series A Stock into which such Debentures were formerly convertible. Such notice must also state the name or names (with address and, in the case of U.S. persons, taxpayer identifying number) in which the certificates for shares of Common Stock are to be registered. No fractional shares of Common Stock will be issued upon conversion of Debentures, but in lieu thereof, the Company will pay a cash adjustment in respect of any such fractions in an amount equal to the same fraction of the closing price per share of the Common Stock on the business day on which the Debentures are surrendered for conversion. Upon surrender of Debentures for conversion as aforesaid, the rights of the holders of such Debentures as such holders shall cease.

In accordance with the terms of the Indentures, no payment or adjustment will be made upon conversion for interest accrued on the Debentures or for any cash dividends on the shares of Common Stock issuable upon conversion.

Please note that in order to effect conversion, Debentures must be in the physical possession of one of the Paying Agents no later than the close of business on August 28, 1987. Delivery of Debentures to any of the Paying Agents after the close of business on August 28, 1987, regardless of instructions in any conversion notice, will result only in payment of the Redemption Price and accrued interest to the Redemption Date as set forth above.

CIGNA OVERSEAS FINANCE N.V.
(Formerly
INA OVERSEAS FINANCE N.V.)

Dated: July 28, 1987

Any payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service ("IRS") and to backup withholding of 20% of the gross proceeds if payees who are not recognized as exempt recipients fail to provide the Paying Agent with an executed IRS Form W-9, in the case of non-U.S. persons, or an executed IRS Form W-9, in the case of U.S. persons. The interest and Dividend Tax Compliance Act of 1983, the Paying Agent may be required to withhold 20% of any gross payments made within the United States to certain holders who fail to provide the Paying Agent with, and certify under penalties of perjury, a correct taxpayer identifying number (employer identification number or social security number, as appropriate) or an exemption certificate on or before the date the Debentures are presented for payment. Those holders who are required to provide their correct taxpayer identifying number on IRS Form W-9 and who fail to do so may also be subject to a penalty of \$50. Holders should therefore provide the appropriate certification when presenting Debentures for payment.

UK COMPANY NEWS

Acquisition benefits help Bullough to £8m

Bullough produced a £2m advance in pre-tax profit for the six months to April 30 1987, of which £1.1m came from acquisitions and the balance from continued progress in other activities.

Turnover for the period rose 31 per cent to £71.5m (£54.6m) and the operating profit 40 per cent to £8.42m (£5m). This time, however, there were interest charges of £254,000 (received £135,000) so restricting the pre-tax profit increase to 32.5 per cent, from £6.16m to £8.16m.

Mr Derrick Battle, managing director, said further, though more modest, progress was expected in the second half to give a satisfactory increase in earnings for the year over the 27.83p reported for 1985-86.

The balance sheet remained strong and further acquisitions were being investigated. Acquisitions last year were the Hubbard-Reader Group of Reznor.

The group makes office, energy, electrical and other engineering products. Mr Battle said office products and heating made good progress. There was some disappointment in the level of deliveries by refrigeration maker George Barker, but that was offset by the return to a healthy profit by Beantalk.

At Newton Derby, the alternator manufacturer, a run down programme was initiated recently because of the lack of orders. That will involve substantial redundancies and extraordinary costs of the order of £1m, said Mr Battle.

Earnings in the half year worked through at 14.06p (10.7p) and the interim dividend is raised to 4.3p (3.2p).

comment
Acquisitions plus a £500,000 swing into profits at the Beantalk shelving subsidiary have helped Bullough, a once dull

engineering business now diversified into office equipment, retail refrigeration and heating service operations, turn in another useful rise in interim profits. So successful does last year's £15m Hubbard-Reader purchase look—bought for what now appears to be nine times this year's earnings contribution—that the group, market capitalisation almost £200m, is already close to considering another mixed equity and cash purchase. Some £10m will be spent (automotive related?) to boost engineering division profits, running at £3m pre-tax this year, to the £45m level. This will produce modest gearing of 20 per cent or so at the balance sheet date but Bullough is determined to reduce any vulnerability to competition in its office and chilled food cabinet areas. With £20m the target for this year, the shares at 515p are suitably rated on a multiple of 15.

J. Ferguson in black and shares jump

Shares of James Ferguson Holdings rose 23p to 151p following the announcement of the first profits since 1979.

On turnover up from £457,000 to £2.15m pre-tax profits were £315,000 against losses last time of £228,000.

The result for the year to the end of March 1987 was achieved without any contribution from the Bedford Clowes Group and the Century and Card companies, the acquisition of which was completed after the period end.

In the first six months the Bradford based group which was originally involved in textiles but is being transformed into a financial services company, there was a pre-tax loss of £379,000 on turnover of £551,000.

The tax charge was £101,000 (£4,900 credit) for earnings per share of 1.63p (2.45p losses). There were extraordinary debits of £37,000 (£23,000) to leave the profit for the year at £177,000 against a loss last time of £447,000.

Control Techniques acquisition

Control Techniques yesterday reported a six first six months trading as a result of depressed conditions in the UK market as well as increased research and development expenditure and new product launch costs.

At the same time the company announced that it had entered into a conditional agreement to acquire Q Power Transmissions. Initial consideration is being satisfied by the issue of 211,641 new ordinary shares.

Additional consideration of up to £1.17m in shares is payable dependent on Q Power's profits over the five years ending September 1992.

Control Techniques is also seeking further UK and overseas acquisitions.

For the six months to end-March it returned profits of £205,000 (£205,000) pre-tax and a turnover of £7.69m (£5.42m). The interim dividend is lifted to 1.25p (1p) from earnings of 4.4p (4.1p).

LOOKERS: Lloyds Merchant Bank has sold its holding of 585,437 ordinary shares (7.18 per cent).

Cresta rises to £0.35m and seeks acquisitions

BY JANICE WARMAN

Cresta Holdings, Isle of Man holding company which joined the stock market in June, produced a halfway turnaround after making a very strong base for acquisitions in 1986 and said it was seeking to purchase companies in the UK.

Losses of £46,000 incurred by the group's original retail motor business were turned to pre-tax profits of £292,000 for the 6 months to June 30.

In early 1986 Mr Brian O'Connor, former chairman of Security Centres Holdings and chairman of the USM-quoted Rockwood Holdings, injected £500,000 into the company then known as Island Garages with Mr Tony Thompson, now finance director.

They restructured the group into five divisions, financial services, property, construction and property, sheltered housing and the original company.

Profits were well ahead of the pre-forma pre-tax figure for the whole of 1986 quoted in Cresta's listing document, said Mr O'Connor, chairman.

They represented organic growth, he said, as there had been no acquisitions in the interim period. "We have tried to establish a very strong base for expansion in the UK. We have been pursuing a number of targets, looking at both public and private companies throughout the UK."

All five divisions had performed well, he said, particularly financial services and property, and the motor retail division now had about 12 per cent market share on the island.

In January Cresta raised £2m on the island through an offer for sale, and after repayment of £181,000 on outstanding loan stock, cash stands at about £200,000. Turnover fell from £1.95m to £4.12m, interest payments dropped to £5,000 (£47,000) and tax took £58,000 (£28). The costs of acquiring a full listing resulted in an extraordinary item of £95,000 (£93,000). Earnings per share were 2.5p, compared with a loss of 1.5p.

Sainsbury completes US deal

J. Sainsbury, the grocery chain has completed the acquisition of New England-based Shaw's Supermarkets. By the time the \$50-a-share cash tender offer closed last week, Sainsbury owned 88.5 per cent of Shaw's shares.

Sainsbury's has already allotted shares to pay for \$185m out of the \$261m purchase price. A further 16.5m

shares have now been sold to Goldman Sachs, advisers on the transaction. In a "bought deal" to fund the remainder, Shaw's, where Sainsbury has held a 31 per cent stake since 1983, takes in 49 supermarkets ranging from Massachusetts into Maine and New Hampshire.

Yesterday, Sainsbury's shares added 3p to 279p.

Broad St. purchases Financial Dynamics

Broad Street Group yesterday announced the acquisition of fellow public relations company Financial Dynamics for a maximum consideration of £5.25m to be paid mainly in shares.

An initial £1.25m is to be paid followed by four further instalment payments based on multiples of warranted profits beginning with £250,000 for the year to March 1988 and running up to 1991.

The £1.25m is to be satisfied by the issue of 2.02m shares at 62p of which 383,107 will be the subject of a vendor placing. The vendors will not be able to sell shares allotted to them for two years. The additional consideration of up to £4m will be satisfied by the allotment of unquoted deferred convertible stock.

Newman Inds profits jump 80% at midway

INTERIM pre-tax profits of Newman Industries, manufacturer of engineered assembly systems, non-ferrous castings and cooling equipment, rose 80 per cent to £2.28m in the six months ended June 30, 1987.

Mr Nigel McLean, chairman, said the improvement resulted from an 11 per cent increase in sales and a 184 per cent profit rise from the continuing businesses, together with benefits arising from the group restructuring.

Avdel, which now constitutes the major activity of the group, increased its sales especially in continental Europe and the Pacific basin. It continues to develop new products to service its various markets and is also in the process of further extending its operations in Europe.

The remaining companies in the group, which now account for a small portion of activities, reported some improvements although the trading climate was difficult for the foundry business.

Mr McLean concluded that overall the current year had started well; business outlook was positive and the company looked forward to continuing success.

Group sales for the period were down from £44.88m to £40.03m but the operating profit emerged at £2.28m (£2.93m); interest took £1m (£1.44m) and there were no exceptional items this time (£0.26m debit). Tax took £1.16m (£1.07m) leaving attributable profits of

£5.08m (£228,000 loss) for earnings per share of 2.2p (0.8p). In 1986 there were extraordinary items written off of £1.52m, which related to closure costs and sale of subsidiaries.

The interim dividend is again 0.5p per share; last year's total was 1.3p.

comment

Newman has sold off loss-makers, including the electric motors business, since last year, so the 80 per cent growth in pre-tax profits is little guide to the company's performance. More significant is the progress at Avdel, the assembly systems subsidiary where trading profits rose 13.5 per cent and operating margins improved to 16.3 per cent. Avdel's strengths include a broad base of customers—its products are used in a range of industries including motors, buildings, electrical engineering and aerospace—and a wide geographical spread for its sales. Future profit growth will be helped by its newly-won right to supply to the US aerospace industry. Pre-tax profits this year of £2.5m would put the shares, down 1p at 844p, on a p/e of about 19.

But some caution may be coming down because of strong cash flow but they still exceed shareholders' funds. And although the acquisition by Winterbottom Holdings of a 25 per cent stake in Newman should have considerable benefits, it has effectively removed the company from the bid stock lists.

Astra confirms potential

THE POTENTIAL at Astra Holdings following the acquisition of the Walters Group is borne out by pre-forma accounts for the year ended March 31 1987, which show group turnover of £36.5m and pre-tax profits of £6.22m.

The major area of Astra's activities lies in supplying military pyrotechnics such as thunderbombs, practice bombs and smoke screens. The Walters purchase represented the completion of a key part of Astra's policy to have defence industry manufacturing facilities in the UK, the US and Canada.

Yesterday the directors said they viewed with confidence the prospects for the enlarged group. In the acquisition document they had forecast pre-tax profits of not less than £8m for 1987-88, with a total dividend of £5.7p.

Astra won defence orders for £11m from the MoD and over £10m from the US Defence Department. Also published yesterday was the results for the 18 months ended March 31 1987 showing turnover of £11.42m

and pre-tax profit of £1m, compared with £4.43m and £210,000 respectively for the year 1986.

The 1987 accounts covered the former Sumner and Astra groups for the full period, plus the Unwin Group from September 1986. The 1986 figures included the former Sumner and Astra groups to give a realistic comparison.

There is a dividend of 0.25p net; the shares offered to shareholders at 28p to finance the Walters acquisition do not rank for the dividends.

Continental Assets shows improvement

Continental Assets Trust raised net asset value to 143.6p (111p) at June 30. Available profits for the half-year rose from £25,000 to £58,000 after tax of £25,000 (£16,000). Investment income totalled £334,000 (£23,000). Earnings per share were 0.49p (0.22p). The trust derives the larger part of its income in the first half of the year.

This announcement appears as a matter of record only.



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27 & 28 October
1987

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U.S.\$100,000,000
ALLIED IRISH BANKS PLC
(Incorporated under the laws of the Republic of Ireland)
Subordinated Primary Capital
Perpetual Floating Rate Notes
In accordance with the provisions of the Notes, notice is hereby given, that for the three months interest period from July 28, 1987 to October 28, 1987 the Notes will carry an interest rate of 7.75% per annum. The interest payable on the relevant interest payment date October 28, 1987 against Coupon No. 9 will be U.S.\$153.25 and U.S.\$4,831.00 respectively for Notes in denominations of U.S.\$10,000 and U.S.\$250,000. The sum of U.S.\$153.25 will be payable per U.S.\$10,000 principal amount of Registered Notes.
July 28, 1987
By The Chase Manhattan Bank, N.A.
London, Agent Bank.

TOPS SERIES V LIMITED
(Incorporated with limited liability in the Cayman Islands)
U.S.\$150,000,000
Series V Floating Rate Trust Obligation
Participation Securities due 1992
Secured by a Charge on a Portfolio of Fixed Rate Bonds and Notes with an aggregate principal amount of U.S.\$215,275,000
For the period 24th July, 1987 to 24th January, 1988, the securities will carry an interest rate of 7.75% per annum with a coupon amount of U.S.\$9,295.83 per U.S.\$250,000 denomination and U.S.\$18,591.67 per U.S.\$500,000 denomination. Payable on 25th January, 1988.
Listed on the Luxembourg Stock Exchange
Bankers Trust Company, London **Agent Bank**

Woodside Financial Services Ltd.
(Incorporated in the State of Victoria)
U.S. \$300,000,000
GUARANTEED FLOATING RATE NOTES
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The Chase Manhattan Bank, N.A.,
London, Agent Bank
July 28, 1987

UK COMPANY NEWS

Baker Harris £2m profit beats prospectus forecast

Baker Harris Saunders Group, the first commercial firm of surveyors and estate agents to obtain a full listing, produced a pre-tax profit of £2.01m for the year to April 30, 1987 compared with £800,000 for the previous year and the October, 1986 prospectus forecast of £1.6m.

Mr Richard Saunders, chairman, said the excess over forecast was due principally to income arising from new instructions received since the date of the flotation, as a result of the company's greatly improved corporate profile, as well as the continuing strength of the City property market.

Activity remained at a high level and this, combined with corporate developments over the past few months, including the recent formation of the corporate property finance division, the acquisition of Alan G. Hood since the end of the

financial year, and the newly formed association with Richard Sykes and Partners in New York, gave continuing confidence in the development of the group.

Turnover last year rose 73 per cent from £2.35m to £4.07m. Tax charged was £732,000 (£349,000) leaving £1.28m (£461,000) for earnings per share of 13.8p (5.5p).

The dividend is 2p for the six months since the flotation, 4p on an annualised basis.

Comment

Baker Harris Saunders' shares were at just 26p at the beginning of the month so it was not surprising to see them ease back 20p to 38p on profit-taking in spite of the better-than-expected figures. The current year is not going to bring another doubling of profits but Baker Harris will continue to

benefit from its exposure to the strong City letting market, of which it probably now takes about 15 per cent. In the longer term that exposure to a single market could prove a point of weakness, and it is in response to this that Baker Harris is building up its corporate finance department and diversifying into the West End through the acquisition of Alan Hood. This first step towards broadening its geographical base is a tentative one and will probably need to be followed by further acquisitions if investors are to be convinced that diversification will protect Baker Harris from any easing off of the City market towards the end of the decade. Meanwhile, with around £2.6m in sight this year, the shares look fully valued on a short-term view with the prospective price/earnings ratio at 23.

GRA Wembley deal in sight

By Nield Tait

GRA Group, the greyhound racing track operator, suggested yesterday that a deal with Arena Holdings, the owner of Wembley Stadium, could be in sight this week.

"Negotiations are going quite well," commented Mr Isidore Karsan, GRA's chairman. "We could have something to say by the end of the week." Mr Tony Clegg, whose Mountfield property group owns 10 per cent of Wembley, concurs. "We are down to the nitty-gritty," he added yesterday.

The deal, essentially a reverse takeover of GRA by the unquoted Arena, would almost certainly be a paper transaction. According to Mr Clegg, all the shareholders in Arena—among them, Mr Brian Wolfson, chairman of Anglo Nordic, and some 15 other investors, including the likes of the Allied-Lyons pension fund—are "all supportive." If successful, Mr Clegg says, the greyhound racing side would be retained.

However, a member of prospective bidders have come close to a deal with GRA recently, but eventually bowed out. Priest Mariani, the property company, abandoned an offer two months ago after Harrington Borough Council appealed against planning permission on the redevelopment of Harrington Stadium.

Yelverton rights to raise £2.9m

Yelverton Investments, the USM-quoted investment company, is raising £2.9m via a rights issue of 8 per cent convertible unsecured loan stock. Stock will be offered to investors on the basis of £1 nominal for every four ordinary shares.

Mr Henry D. Clarke, junior, the company's American chairman, will take up his rights in respect of the 36 per cent holding of his private company, Ruston International. The company hopes to use its funds to expand its investment portfolio.

Border TV lower

LESS buoyant advertising revenue in the second half led to a 39 per cent fall in 1986-87 pre-tax profits of Border Television, the smallest of the mainland IBA television contractors.

Despite a rise in turnover to £3.55m (£3.86m) pre-tax profits dropped from £704,800 to £263,000. Earnings per 10p share fell 1.8p to 3.4p and there is a final dividend of 0.9p for a total of 1.4p (1.29p). An extraordinary charge of £23,000 this time was the cost of the introduction to the USM last December.

Reuters Holdings PLC

Announcing excellent interim figures

Revenue up 49.3% Pre-tax profit up 42.6% Earnings per share up 43.1%

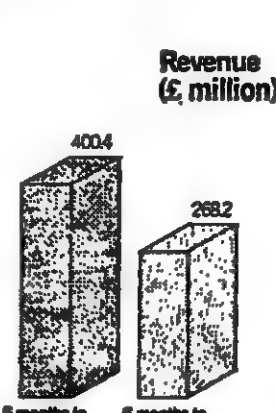
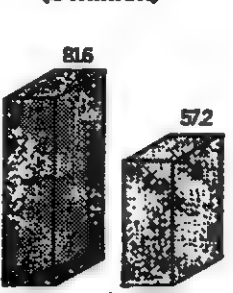
Reuters pre-tax profit rose by 42.6% to \$81.6 million (US\$131.4 million) in the first half of 1987 from \$57.2 million (US\$92.1 million) in the first half of 1986. Profit after tax was 44.8% higher at \$51.4 million (US\$82.8 million) on an estimated tax rate of 37%, compared with 38%.

Earnings of 122p per ordinary share and US\$1.18 per American Depositary Share (ADS) rose by 43.1%. Each ADS represents six B ordinary shares. Revenue was 49.3% higher at \$400.4 million (US\$644.6 million). Operating profit before interest rose by 50.7% to \$75.5 million (US\$121.6 million) from \$50.1 million (US\$80.7 million) in the first half of 1986.

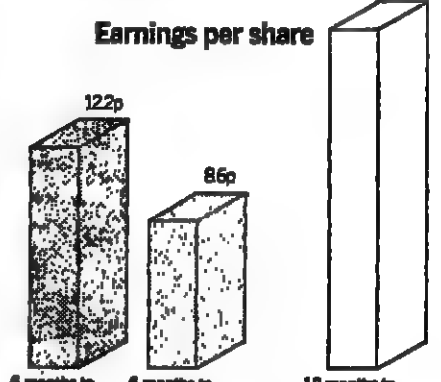
The Board of Directors has declared an interim dividend of 2.3p per share, compared with 1.75p in the first half of 1986. The dividend is payable on 18 September to shareholders on the register at 21 August 1987.

Glen Renfrew, Managing Director and Chief Executive, reported that

Profit before tax (£ million)



expect results for the year as a whole to match the large percentage gains of the first half, largely because performance



revenue and operating profit before interest rose more sharply than pre-tax profit as demand for the Company's products in all major markets strengthened further and interest income declined.

He continued: "Demand from the financial markets was strong for Reuters information and dealing products and for client systems produced by our subsidiary Rich Inc. Foreign exchange and international money markets remained the major source of growth in absolute terms."

in the second half of 1986 was particularly strong. However, new orders are buoyant and, subject to currency and other uncertainties, we do expect continued good progress in line with Reuters high growth targets."

Reuters Holdings PLC, 85 Fleet Street, London EC4P 4AJ. Telephone: 01-250 1122

Baltic rises to £3.2m in first half

Baltic, the asset finance and property group which is 60 per cent owned by Scandinavian financial institutions, yesterday reported a 20 per cent rise in pre-tax profits from £2.67m to £3.2m in the six months to June 30, 1987.

Last month, Baltic made a successful £2m bid for CTE Global Investment Trust. The company plans to liquidate the trust's portfolio and to use the proceeds to expand its activities.

Turnover rose by £1.2m to £12.4m. After tax of £800,000 (£550,000) earnings per share were 8.2p (6.5p) basic or 8.9p (8.1p) fully diluted.

The interim dividend is 1.5p. For the previous 17 months, Baltic made payments totalling 3.5p, equivalent to an annual dividend of 2.47p which would have been paid as to 1p and 1.47p.

The company said its asset finance division had shown good solid growth and the customer base continued to expand. The property development side had made a strong and encouraging start to the year with the sale of the Chilwell Street office development site in the City of London being completed.

The unit trust management company, launched two new funds in the early part of the year and funds under management now stand at £42m, against £33m at the end of March, 1987.

Robert H. Lowe profits rise 74% to £402,000

Robert H. Lowe, clothing manufacturer and principal client for leysurewear for the Adidas sports goods brand, yesterday reported a 74 per cent increase in pre-tax profits from £231,000 to £402,000 over the six months to April 30. Turnover rose by 16 per cent to £5.5m.

The results included a full six months trading by Nelsons Labels and C. U. Black, the subsidiaries acquired last October. Earnings per share improved by 2.22p to 9.22p and the interim dividend is being doubled to 1p net.

The directors said the Aspatia and Congleton garment factories each made progress on plans to upgrade plant and machinery and for expanding production by increasing

the direct labour force. However, the full benefit of this progress had still to show itself in trading profit, while progress to date was offset by interruptions to production caused by late and faulty deliveries of fabric.

As a result, the group which supplies goods to Marks and Spencer and British Home Stores, is to carry higher stock levels.

For the group as a whole the directors anticipated poor profit margins for the immediate future until improved efficiency and expansion of production make more impact.

Since the half year end the company has completed the acquisition of D. E. Leonard, manufacturer of leysurewear and trackuits, for an initial £220,000 in shares.

Stated earnings per 10p share were 1.7p (0.5p) loss. There is again no dividend (none have been paid since 1982) but the chairman said there was a possibility of a resumption next year if profitability continued to improve. At midway the company reported a £48,000 profit (£48,000 loss).

Worthington improvement

A. J. Worthington (Holdings), maker of textile products, turned in a pre-tax profit of £110,807 for the year to March 31, 1987, against a £23,490 loss previously. Turnover rose from £1.97m to £3.45m.

Mr Sidney Friedland, the chairman, said that turnover had continued to increase at a modest rate since the end of March "as order books now stood at an acceptable level. After tax of £17,000 this time and minority of £2,462 (£3,621).

BOARD MEETINGS

TODAY	FUTURE DATES
Interim—Thomas Jordan, Leisure Time International, Mount Charlotte Investments, National Westminster Bank, Pensions, Queens, Rights and Issues Investment Trust, St. Mary's Properties, YACI, Transocean, Union Investment, W.P.	British Vita Sept 9
Interim—SCL, Manpower, Kenyon Securities, Murray Smaller Markets Trust, Radix.	Electronic Machine July 31
	Energy Capital July 30
	GKN Aug 5
	Jameson, Theatres Aug 10
	London Finance and Invest. July 29
	Pentland Industries Aug 25
	Rover Aug 5

THE JONES GROUP is buying Enviroquip, Texas-based company in water and waste water business for an initial \$4m and further profit-related payments to a maximum of \$6m. In the year to end-June 1986 Enviroquip made \$1.4m profit on turnover of \$11.9m.

All the securities having been sold, this advertisement appears as a matter of record only.

New Issue

July 1987

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CHRISTIANIA BANK OG KREDITKASSE

Oslo, Norway

Swiss Francs 75 000 000.-

2 1/2 % Swiss Franc bonds of 1987 due 1994

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Alpha Securities AG
Banca di Credito Commerciale e Mobiliare SA
Banca del Sempione
Banca Solari & Blum S.A.
Bank in Huttwil
Bank of Inns
Bank Langenthal
Bank of Langnau
Bank Rohrer AG
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Great Pacific Capital S.A.
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Società Bancaria Ticinese
Commercial Bank of Soleure
Spar- & Leihkasse Schaffhausen
Volksbank Wittenau AG

Chase Manhattan Bank (Switzerland)
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Amro Bank and Finance
Bank Hoeser & Cie AG
Banque Indosuez, Succursales de Suisse
Banque Paribas (Suisse) S.A.
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The Industrial Bank of Japan (Switzerland) Ltd
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Armend von Ernst & Cie S.A.
Banca Exterior (Suisse) S.A.
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Dahwa Finance Ltd
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Sanwa Finanz (Schweiz) AG
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This announcement appears as a matter of record only



Aluminio del Caroní, S.A.

US \$ 160,000,000

Term loans

guaranteed by

THE REPUBLIC OF VENEZUELA

US \$ 30,000,000

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Lead Managed by
Banco Industrial de Venezuela, C.A.
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Banque Indosuez
Consolidated Bank, N.A.

Managed by
Banque Paribas
Crédit Lyonnais
Banque Nationale de Paris
Banque de l'Union Européenne
Société Générale

Co Managed by
Banco Mercantil, C.A.

Provided by
Banco Industrial de Venezuela, C.A. (New York Agency)
Banque Indosuez, Consolidated Bank, N.A.
Banque Paribas, Crédit Lyonnais, Banque Nationale de Paris
Banque de l'Union Européenne, Société Générale, Banco Mercantil, C.A.
Banco La Guaira, Banco Latino N.V., Consolidated International Bank
Banque Sudameris France, Crédit du Nord.

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BANQUE INDOSUEZ

US \$ 130,000,000

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Crédit du Nord

Long Term Instalment
Banque Française du Commerce Extérieur

July 1987

COMMODITIES AND AGRICULTURE

Nancy Dunne on the launch of automated white sugar trading

London scores sweet victory

THE LONDON Futures and Options Exchange (Fox) yesterday mounted a successful challenge to the French dominance of white sugar trading through introduction of a new automated system.

The system got off to a brisk start with a total of 977 contracts changing hands by midday. As the markets headed for close, traders using computers and screens in London had executed nearly 2,000 trades, well ahead of the 1,540 orders filled on the Paris Futures Exchange.

Traders theorised that shifting white sugar positions to London from Paris inflated the French trading volume. An exchange official said a final judgment about the day's success could not be made until the open volume figures are studied today.

The Paris exchange generally trades between 1,000

and 2,000 lots of 50 tonnes a day the same contract size as on Fox. About 70 per cent of its business is generated in London; however, efforts since 1983 to cut into the established "open outcry" French market have been unavailing.

The timing of the London launch was auspicious. Prices were buoyed by reports that Pakistan had bought two white sugar cargoes at the week for around \$198 a tonne.

Early trading suffered only a few technical hitches as the day began. "There were a few bugs in the system which frustrated accurate price reporting, but this is being put right," said Mr. Con Levan, Fox's marketing director.

If the Fox challenge succeeds, British traders will have sent a strong message to Paris about the high

cost of trading there. Paris is "an extremely expensive" market to trade in, and the cost reduces its liquidity, according to Mr. Saul Grunstein, a trader at Dresd Bank in London.

"I can afford to get in the market here without it costing an arm and a leg," he said. The computer trading system offers other advantages, according to Fox officials. There are fewer human links between a client and his trade, allowing for a quicker response and, if everything works as it should, fewer errors.

The system is linked directly into market screens, which give immediate updates on all orders and trades. Clients get a better "feel" of the action, the exchange said.

Should white sugar trading

succeed in London, it may pave the way for automated trading in other contracts. With the system in place, the addition of new contracts will be inexpensive, making more feasible the introduction of low volume contracts which could not otherwise be sustained. Fox's new document, a contract may now be considered a candidate for start-up.

Paris will have other competition for its market. The Coffee, Sugar and Cocoa Exchange in New York plans to launch white sugar futures on October 5. Undaunted, Fox officials said the New York market, because it is in another time zone, will offer opportunities for arbitrage.

Because traders need not stand in a pit all day, the London contract has a particularly long trading day—from 8.30 to 4.45 p.m. with no time off for lunch.

LONDON MARKETS

THE LONDON Metal Exchange aluminium market built on its recent strength yesterday with the cash position gaining another \$7 to \$1,647 a tonne. A 25-tonne lot, Dealers said a buoyant opening session mainly reflected dollar-based covering against physical business backed up by continuing technical supply tightness. They said currency movements also encouraged the advance. The initial LME contract ended the day only \$1 above Friday's close at \$1,649 a tonne. Zinc prices rallied in early trading on news that peace talks between striking workers and management at Concession's Trail and Kimberley production facilities in British Columbia had broken down. But the gains were not held and cash position closed \$2.58 down on the day at \$2,649 a tonne. Lead prices displayed a similar pattern with the cash position closing \$5 down at \$2,019 a tonne.

INDICES

REUTERS	July 27/78	July 26/78	July 25/78	July 24/78	July 23/78
1000 US \$/£	163.47	163.44	163.41	163.38	163.35
1000 DM/\$	1.81	1.81	1.81	1.81	1.81
1000 SF/\$	1.48	1.48	1.48	1.48	1.48
1000 Y/\$	1.63	1.63	1.63	1.63	1.63

DOW JONES

July 27/78	July 26/78	July 25/78	July 24/78	July 23/78
100 US \$/£	163.47	163.44	163.41	163.38
1000 DM/\$	1.81	1.81	1.81	1.81
1000 SF/\$	1.48	1.48	1.48	1.48
1000 Y/\$	1.63	1.63	1.63	1.63

MAIN PRICE CHANGES

July 27 + or - Month

1987 - ago

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NEW YORK

ALUMINIUM 40,000 lb, cents/lb	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
1987	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5

COCAOA 10,000 lb, \$/tonne	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
1987	2050	2050	2050	2050	2050	2050	2050	2050	2050	2050	2050	2050	2050

COFFEE "C" 50,000 lb, cents/lb	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
1987	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5

COTTON 50,000 lb, cents/lb	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
1987	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5

CRUDE OIL (LIGHT) 42,000 US gallons, \$/barrel	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
1987	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5

GOLD 100 troy oz, \$/troy oz	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
1987	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5

SILVER 5,000 troy oz, \$/troy oz	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
1987	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5

WHEAT 5,000 bushels, \$/bushel	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
1987	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5

BARLEY 5,000 bushels, \$/bushel	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
1987	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5

PLATINUM 50 troy oz, \$/troy oz

July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
1987	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5

LIVE CATTLE 40,000 lb, cents/lb	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
1987	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5

LIVE HOGS 30,000 lb, cents/lb	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
1987	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5

SOYBEANS 5,000 bushels, \$/bushel	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
1987	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5

SOYBEAN MEAL 100 tons, \$/ton	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
1987	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5

WHEAT 5,000 bushels, \$/bushel	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
1987	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5

BARLEY 5,000 bushels, \$/bushel	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
1987	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5

CRUDE OIL - FOB (5 per barrel) Aug 1	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
1987	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5

CRUDE OIL - FOB (5 per barrel) Aug 2	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
1987	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5	105.5

Recovery forecast in offshore oil industry

By Lucy Kellaway

THE offshore oil and gas industry will continue to shrink this year from the depressed levels of 1986, although by 1988 the worst will be over, according to a survey published yesterday.

The survey, conducted by Mackay Consultants of Inverness, estimates that world expenditure on offshore oil and gas will fall by 10 per cent this year to \$25bn, after a 15 per cent fall last year from \$48bn in 1986. The report forecasts, however, that the severe problems which now face the offshore supply industry should start to disappear next year as the world market picks up to reach an estimated \$51m by 1990.

The rise in activity is likely to be encouraged by a gradual recovery in oil and gas prices, the report says, allowing the revival of development projects which had been postponed following last year's collapse. The report expects the recovery in North Sea activity to be slightly slower than in the world as a whole, with very little pick up in evidence until 1989. It says that expenditure will never return to the peak levels of the 1970s, and by 1990 should have reached \$5.3m, fractionally lower than last year, although a strong improvement on forecast expenditure for this year of \$4.5m.

By contrast, markets in other parts of the world, including North and Central America and the Far East and Australasia are expected to show fairly strong growth and to become almost as large as the North Sea market by 1990.

LONDON METAL EXCHANGE WAREHOUSE STOCKS (Charged during week ended last Friday)

Aluminium (tonnes)	-25 to 80,075
high grade	+500 to 7,250
Copper	+150 to 97,925
Lead	+700 to 23,425
Nickel	-934 to 7,344
Zinc	+1,775 to 30,525
Silver	+120,000 to 22,672,000

It is an ironic reflection on the present state of the world's economy that a record number of its inhabitants are reported to be starving at the same time food surpluses are threatening the economic stability of a number of countries and helping to aggravate international trade tensions.

The situation is the background to the latest report from the Organisation for Economic Co-operation and Development.

Fresh approach proposed for commodity programmes

By William Duffell in Geneva

JAPAN YESTERDAY proposed a new approach to the problems of countries which rely heavily on exports of commodities for economic development.

Instead of trying to stabilise prices through international commodity agreements, a "round table" should be set up to examine each country separately and to recommend action for improving the processing of its products or diversifying its economy, Mr. Taro Kuroki, the Foreign Minister, told the UN Conference on Trade and Development.

The round table would comprise representatives of interested countries, organisations such as Unctad and the World Bank, and experts from both developed and developing countries.

It would work independently, formulate "case programmes" and recommend policies which could be implemented by the countries concerned with the help of relevant international agencies and developed countries. Its recommendations would not be binding.

Countries would be selected according to per capita income, their debt situation, their dependence on commodities and their progress in processing their raw materials, the Japanese paper proposed.

Case programmes would be drawn up to allow for their application to other developing countries experiencing similar problems to the country examined.

The Japanese proposal to replace the commodity-specific approach used by Unctad in creating international commodity agreements with a country-specific programme, Mr. Taro Kuroki, the Foreign Minister, told the UN Conference on Trade and Development.

The Common Fund's first action is intended to help finance the buffer stocks of international commodity agreements. Most consuming countries, following the collapse of the tin agreement, are opposed to putting the account into effect.

Industrial nations' scepticism towards ICAs had led by yesterday to deadlock in the committee dealing with commodities in the Unctad conference, which entered its third and last week in disarray.

Developing countries inspired by the prospect that the \$750m Common Fund might become effective after a seven-year delay, have been pushing for the strengthening of existing ICAs and the convening of meetings to study the possibilities for commodities not yet covered.

The US, most members of the European Community and Japan want the conference to shift Unctad away from its focus on price stabilisation through ICAs towards what they consider to be a more pragmatic, market-oriented approach. This would aim at helping countries to enhance their export earnings by finding ways of diversifying and adding value to their products.

Official closing (am): Cash 1064-4 (1064-5), three months 1041-4 (1041-5), settlement 1064 (1064-5). Final Karb close: 1064-4. Ring turnover: 7,400

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

US dollar little changed

THE DOLLAR lacked direction on the foreign-exchange market yesterday, as dealers weighed the impact of a narrowing differential between US and foreign interest rates, and signs that the imbalance in trade between the US and other major economic nations was shrinking.

Other economic news had little impact. A rise of 0.4 per cent in June US personal income, and a gain of 0.7 per cent in consumption were in line with most expectations.

In June, West Germany's trade surplus narrowed to DM 8.5bn from DM 10.5bn in May, according to yesterday's figures. This followed the recent publication of a fall in Japan's June trade surplus, which had been expected to be a deficit in June.

But in the present mood the trade position appears to be having less impact than a narrowing of interest rate differentials moving against the dollar. On Friday it was announced the Japanese long term banks are to increase their prime rate from August 1.

The dollar has found upward resistance against the DM-Mark and yen recently, but dealers also question whether the US currency will fall very far ahead of the US Treasury quarterly refunding package in early August.

The dollar closed at DM 1.8590 from DM 1.8535 and ¥190.55 from ¥189.00. Elsewhere it rose to FF 167.25 from FF 166.75 and SF 1.5385 from SF 1.5385. On Bank of England figures, the dollar's exchange rate index was unchanged at 103.7.

STERLING—Trading against the dollar in 1987 is 1.6888

to 1.4710. June average 1.6288.

Exchange rate index fell 0.2 to 72.5 compared with 63.6 six months ago. Sterling suffered from adverse price content last week, following last week's UK economic data. Figures on bank lending, retail sales and trade, pointed towards heavy borrowing, leading to suggestions that the economy is overheating. The pound weakened on fears of a worsening in the trade balance over the second half of the year, while North Sea oil prices also declined.

The pound closed at \$1.5685 down from \$1.6040 and DM 2.9650 compared with DM 2.9725. It was also lower against the yen at ¥240.25 from ¥240.50. Elsewhere it fell to SF 2.4650 from SF 2.4625 and FF 167.25 from FF 166.75.

The D-Mark rose against the dollar to DM 1.8590, unchanged from Friday's New York close. Disappointment that Friday's higher than expected rise of 2.6 per cent in second quarter US GNP growth failed to boost the dollar led to selling, with the US currency finding strong resistance at ¥150. On Friday the dollar finished at ¥150.70 on Tokyo, but no appears to have entered a bearish phase, although dealers were reluctant to move the market yesterday, on a lack of new factors.

JAPANESE YEN—Trading range against the dollar in 1987 is 139.45 to 138.35. June average 144.82.

Exchange rate index 214.3 against 214.7 six months ago. The dollar drifted in Tokyo, lacking direction, and finishing at ¥149.50, unchanged from Friday's New York close. Disappointment that Friday's higher than expected rise of 2.6 per cent in second quarter US GNP growth failed to boost the dollar led to selling, with the US currency finding strong resistance at ¥150. On Friday the dollar finished at ¥150.70 on Tokyo, but no appears to have entered a bearish phase, although dealers were reluctant to move the market yesterday, on a lack of new factors.

At the Frankfurt fixing the Bundesbank did not intervene when the dollar fell to DM 1.8505, from DM 1.8548 on Friday.

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FINANCIAL FUTURES

Gilts take the brunt

GILT PRICES fell sharply in the London International Financial Futures Exchange yesterday. Trading was very active, but mostly in one direction as speculators reacted to last week's poor UK economic data.

A wave of selling followed last week's disappointing economic data which included a rise in retail sales and bank lending which suggested an underlying rise in the rate of inflation and poor trade figures which were taken as an indication that increased spending powers were sucking in imports.

The loss of confidence came despite comments over the weekend which suggested that one month's figures were unlikely to signify a trend and that there was no real evidence that increased imports were a reflection of increased spending rather than a greater intake of raw materials to meet increased productivity.

Whatever the figures suggested, investors were in no mood to hold on to long gilt and sterling futures. Consequently the long gilt opened at 120-29 for September delivery, which proved to be the day's high and slipped to a low of 119-13 before finishing at 119-13, down from 121-04 on Friday.

Three-month sterling deposits acted in much the same way, falling to a low of 80-22 from an opening of 80-46 before closing at 80-22, down from 80-47 previously.

Today's quarterly review by the CBI is expected to give the market a renewed impetus, the biggest problem being in which direction. US Treasury bonds were confined to a relatively narrow range, opening at 89-19 from September delivery and trading between a high of 90-03 and a low of 89-14 before closing at 90-02. The recent narrowing in interest rate differentials between the US and Japan together with the possibility of a bigger fund raising programme if an increase in the US debt ceiling is approved by Congress tended to deter traders from establishing any strong trend.

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IN NEW YORK

July 27	Latent	Previous Close
1 month	1.9940-1.9970	1.9960-1.9970
3 months	1.9940-1.9970	1.9960-1.9970
6 months	1.9940-1.9970	1.9960-1.9970
9 months	1.9940-1.9970	1.9960-1.9970
12 months	1.9940-1.9970	1.9960-1.9970

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

July 27	Previous
8.30 am	72.7
9.00 am	72.7
10.00 am	72.7
11.00 am	72.7
12.00 pm	72.7
1.00 pm	72.7
2.00 pm	72.7
3.00 pm	72.7
4.00 pm	72.7

CURRENCY RATES

July 27	Bank</
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BASE LENDING RATES

[illegible]

This book is based on a complete series of articles published in the *Investors Chronicle* under the heading "Beginners Guide to the Stockmarket". It analyses the basic principles of stockmarket investment, discusses the different categories of quoted investment, examines the whole range of related essentials such as the interpretation of company accounts and gives an up-to-date review of relevant tax rules.

In short, it is a complete guide to its subject. An ideal guide for people new to the stockmarket, *Investing for Beginners* should also prove valuable to experts who wish to refresh their ideas on basic aspects of the subject.

DANTE

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- 3 **How gilt-edged stocks work**
- 4 **Equities give you a piece of the action**
- 5 **How to buy and sell stocks and shares**
- 6 **Earnings and dividends – and how to measure them**
- 7 **Understanding company accounts**
- 8 **Putting the figures to work**
- 9 **Movements in markets**
- 10 **Building a portfolio**
- 11 **Manufacturing companies: the problem areas**
- 12 **Success among the retailers**
- 13 **Banking and insurance**
- 14 **Investment trusts offer a spread**
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- 21 **When a company makes a rights issue – the shareholder's sums**
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- 23 **New issues – how companies get a quote**
- 24 **More about gilts and other fixed interest stocks**
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- 27 **Insurance-linked investment – the pros and cons**
- 28 **Using charts and other investment systems**
- 29 **Your broker and your shares**
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- 10 Moving stair replaced (5)
- 11 Built up deep-loved characters (9)
- 12 Career sportsmen get by and do well (7)
- 13 Number of workers that pay rent (4)
- 14 A number with inadequate backing languish (5)
- 16 Half-back has reporters in and shows off (9)
- 19 Words to conjure with (3, 6)
- 20 Quick turn round in public transport (5)
- 22 Many snakes are associated with them (7)
- 23 Heart so affected, sounds can be heard within it (7)
- 27 Uncast replacement? (5, 4)
- 28 It is essential to return at six-fifty at the outside (5)
- 29 You won't have any truck with this (3, 5)

DOWN

- 2 Thinking of the establishment (9)
- 3 Place for landing and take-off (5)
- 4 Command rests with those on duty (3)
- 5 Want a partner for animal surgery? (3)
- 6 Mother dawdles and wastes the doctor's time (9)
- 7 Rising professional in the plant (5)
- 8 A devout leader insists they're cruel (7)
- 9 Fancied to win but dropped out (5)
- 15 Stand by ascetic (9)
- 17 Outstanding piece of cinematic apparatus? (9)
- 18 Scramble at the pig's food (9)
- 19 Supports, but doesn't allow to proceed (5)
- 21 Story about island race is only gossip (6)
- 22 Pulls up the grass (5)
- 24 An essential part of thieves' language (5)
- 26 Wandering dog? (5)

Solution to puzzle no. 6,368

I	N	T	A	G	L	E	P	A	T	R	O	L
M	E	T	E	R	N	M	A	N	A			
D	E	E	P	E	R	S	O	L	D	E	R	
C	E	G	E	T								
R	E	D	E	F	A	C	T	S	T	R	A	C
E	C	E	P	E	R	A	T	E				
A	C	E			S	E	R	E	C	T	I	O
S	E	M	A	T	I	M	O	N	E			
P	E	A	N		S	E	T					
I	N	T	R	E	E	R	E					
K	E	M	E		P	E	R					
A												
E	L	E	V	E	N							
E	L	E	V	E	N							

[illegible]

FT UNIT TRUST INFORMATION SERVICE[illegible]

FT UNIT TRUST INFORMATION SERVICE[illegible]

مجلسه اول

BRITISH FUNDS BRITISH FUNDS—Contd FOREIGN BONDS & RAILS

Table with 28 columns: 1987 High, 1987 Low, Stock, Price, Yield,

INDUSTRIALS—Continued

اسماء

FINANCE, LAND—Cont.**OIL AND GAS—Continued****MINES—Continued**[illegible]

LEISURE

[illegible]

MOTORS

[illegible]

PUBLISHERS

[illegible]

875 210 2
520 3 26.9 2

Alfany Inc 20	11	135	9762
Chas & Rose 21	120	120	120
First City 22	120	120	120
First Nat 23	120	120	120
First Nat 24	120	120	120
First Nat 25	120	120	120
First Nat 26	120	120	120
First Nat 27	120	120	120
First Nat 28	120	120	120
First Nat 29	120	120	120
First Nat 30	120	120	120
First Nat 31	120	120	120
First Nat 32	120	120	120
First Nat 33	120	120	120
First Nat 34	120	120	120
First Nat 35	120	120	120
First Nat 36	120	120	120
First Nat 37	120	120	120
First Nat 38	120	120	120
First Nat 39	120	120	120
First Nat 40	120	120	120
First Nat 41	120	120	120
First Nat 42	120	120	120
First Nat 43	120	120	120
First Nat 44	120	120	120
First Nat 45	120	120	120
First Nat 46	120	120	120
First Nat 47	120	120	120
First Nat 48	120	120	120
First Nat 49	120	120	120
First Nat 50	120	120	120
First Nat 51	120	120	120
First Nat 52	120	120	120
First Nat 53	120	120	120
First Nat 54	120	120	120
First Nat 55	120	120	120
First Nat 56	120	120	120
First Nat 57	120	120	120
First Nat 58	120	120	120
First Nat 59	120	120	120
First Nat 60	120	120	120
First Nat 61	120	120	120
First Nat 62	120	120	120
First Nat 63	120	120	120
First Nat 64	120	120	120
First Nat 65	120	120	120
First Nat 66	120	120	120
First Nat 67	120	120	120
First Nat 68	120	120	120
First Nat 69	120	120	120
First Nat 70	120	120	120
First Nat 71	120	120	120
First Nat 72	120	120	120
First Nat 73	120	120	120
First Nat 74	120	120	120
First Nat 75	120	120	120
First Nat 76	120	120	120
First Nat 77	120	120	120
First Nat 78	120	120	120
First Nat 79	120	120	120
First Nat 80	120	120	120
First Nat 81	120	120	120
First Nat 82	120	120	120
First Nat 83	120	120	120
First Nat 84	120	120	120
First Nat 85	120	120	120
First Nat 86	120	120	120
First Nat 87	120	120	120
First Nat 88	120	120	120
First Nat 89	120	120	120
First Nat 90	120	120	120
First Nat 91	120	120	120
First Nat 92	120	120	120
First Nat 93	120	120	120
First Nat 94	120	120	120
First Nat 95	120	120	120
First Nat 96	120	120	120
First Nat 97	120	120	120
First Nat 98	120	120	120
First Nat 99	120	120	120
First Nat 100	120	120	120

32.5	+ 52	9.0	2
178	+ 3	11.9	3
		12.7	3

SEC.	240	Brs. Land	240
Glanco	280	Low Securities	280
Grand Met.	55	MEPC	55
Gusson '81	175	Peachey	175
Guardian	30	Oil	30
GKN	100	Brl. Petroleum	100
Hampson Ltd.	125	Briftail	125
Hawker Sid.	125	Burnall Oil	125
I.C.I.	125	Charbonell	125
Jaguar	50	Premier	50
Lakofsky	32	Shell	32
Legat & Gen.	32	Trident	32
Lee Service	32	Ultramar	32
Lloyds Bank	60	Ultramar	60
Lucas Inds.	62	Milnes	62
Marika & Spencer	35	Com Gold	35
Midland Bk.	35	Lonrho	35
Morgan Grenfell	35	Rio T Zinc	35

A selection of Options traded is given on a London Stock Exchange Report Page.

100

Equities rally at the close of a weak session while Gilt-edged suffer hefty falls

ملفات في الأصل

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month										12 Month										12 Month										12 Month									
High	Low	Stock	Vol.	Stk.	Vol.	Stk.	Vol.	Stk.	Vol.	High	Low	Stock	Vol.	Stk.	Vol.	Stk.	Vol.	Stk.	Vol.	High	Low	Stock	Vol.	Stk.	Vol.	Stk.	Vol.	Stk.	Vol.	High	Low	Stock	Vol.	Stk.	Vol.	Stk.	Vol.	Stk.	Vol.
35	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
36	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
37	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
38	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
39	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
40	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
41	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
42	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
43	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
44	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
45	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
46	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
47	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
48	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
49	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
50	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
51	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
52	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
53	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
54	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
55	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
56	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
57	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
58	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
59	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
60	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
61	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
62	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
63	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
64	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
65	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
66	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
67	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
68	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
69	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
70	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
71	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
72	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
73	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
74	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
75	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
76	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
77	20	AAR	3.0	16.22	32	31	32	1	62	40	12	12	12	12	12	12	12	12	12	37	21	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
78	20	AAR	3.0	16.22	32	31</																																	

Continued on Page 41

NYSE COMPOSITE CLOSING PRICES

[illegible]

AMEX COMPOSITE CLOSING PRICES

[illegible]

OVER-THE-COUNTER

Stock	Sales (Hrds)	High	Low	Last	Chng	Stock	Sales (Hrds)	High	Low	Last	Chng	Stock	Sales (Hrds)	High	Low	Last	Chng	Stock	Sales (Hrds)	High	Low	Last	Chng
ADC	17	43	24	24 1/2	1/2	Chrmde .12	35	1343	300	294	300 + 1/2	Flmgns	632	47	4	4	4 + 1/2	Jonel	4.7m	47	554	15	15 1/2 + 1/2
AB	23	28	15	15 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
ABT	14	15	15	15 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
ABT	14	15	15	15 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
Accum	61	27	25	25 1/2	1/2	Chrmis	55	313	24	24	24	Flmngs	17	108	16	16	16 + 1/2	Junex	21	80	19	19	19
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FINANCIAL TIMES

WORLD STOCK MARKETS

Moderate gains despite growing signs of caution

WALL STREET

OVERCOMING a brief sinking spell at the opening, Wall Street stock prices edged ahead yesterday in moderate trading, writes *Roderick Oram* in New York.

Credit markets followed a similar course, although price gains were only modest as the market remained burdened by the heavy supply of new issues due to hit the markets next month.

The Dow Jones industrial average closed up 8.61 points at 2,493.84. A lot of the rise came, however, from Merck which gained 5 1/2% to \$181 1/2 on rumours the drugs group would announce at its annual meeting today a higher dividend, share buy-back or stock split.

Broader market indices followed a similar pattern with the Standard & Poor's 500 closing up 1.37 at 310.64 and the New York Stock Exchange composite index adding 0.77 to 174.47. NYSE volume was 152m shares with the number of shares advancing leading those declining by a ratio of four-to-three.

Buyers stepped into the markets after the Dow industrial fell some six points in early trading but analysts believe investors will remain highly cautious in the near-term and be inclined to take profits around the Dow 2,500 level.

With the quarterly results season beginning to wind down, the markets are losing the stimulation they had received in recent weeks from news of healthy profits growth at many companies.

Among the outstanding number of reports yesterday, Du Pont fell 1/2% to \$124 1/2 after turning in per share profits of \$2.08 against \$1.88 a year earlier. Higher profits from chemicals were dragged down by a squeeze on margins on refined oil products.

COMPAQ slipped 5% to \$46 1/2 after more than doubling second quarter profits to 30 cents a share. Other companies reporting higher earnings included Telerate, off 5% to \$24 1/2, Williams Companies, off 5% to \$36, and Tyson Foods, down 5% to \$18 1/2. Cummins Engine dropped 5 1/2% to \$83 1/2 despite reporting profits of 77 cents a share against 32 cents.

After the markets closed, American Express, up 5% to \$33 1/2, said it would buy back up to 40m of its shares, equal to 9.3 per cent of the

FURTHER profit-taking undermined gold and other shares in Johannesburg as the financial rand strengthened and the bullion price held steady.

Vaal Reef shed \$12 to \$470. Kloof lost \$1.25 to \$47.50 and Drakensburg was \$1.25 lower at \$89.50. Other golds were little changed, but

total, over the next two to three years.

In the takeover arena, Harcourt Brace Jovanovich gained \$1 1/4 to \$83 1/4 after Mr Robert Maxwell said he was dropping his attempts to thwart its recapitalisation. The British media magnate has also dropped his bid for the US publisher which triggered the recapitalisation as a defensive move.

Southern Company was the most active New York Stock Exchange issue, slipping 5% to \$24 on volume of more than 20.7m shares. It begins trading ex-dividend today and at current prices yields about 8.9 per cent.

Credit markets opened slightly weaker from Friday night's close but above levels posted abroad over the weekend. The dollar stabilised during the morning which helped bond prices rise slightly.

The price of the 8.75 per cent benchmark Treasury long bond was up 1/2 of a point at 96 1/2 by late afternoon yielding 8.82 per cent. Short maturity notes were unchanged while the bond equivalent yield on three-month Treasury bills slipped two basis points to 5.94 per cent.

The markets are pre-occupied by the backlog of Treasuries which will be auctioned after Congress raises the Federal Government's debt ceiling. It is thought on Wall Street that an interim increase will be passed tomorrow or Thursday which would allow a temporary resumption of debt sales.

The Treasury's August quarterly refunding might have to be postponed, however, by about 10 days to around August 15, by which time a permanent increase should have been approved.

CANADA

AS THE Canadian dollar fell and thus fears of higher interest rates rose, Toronto stocks gave up much of Friday's advance.

Mines featured among losses. Dome Mines was down 1/2% to \$31 1/2, Noranda 1/2% to \$33 1/2, and Falconbridge 1/2% to \$33 1/2. Cominco fell 1/2% to \$20 1/2 as talks aimed at ending a strike in British Columbia broke down.

Montreal eased slightly. Vancouver was marginally higher.

Libanon made one of the few gains, adding \$1 to \$87.

Among other miners, De Beers was down 30 cents at \$47 1/2, while Rustenburg Platinum lost \$3 to \$56.50. Mining financial Anglo American fell \$1.50 to \$65.25.

Lower industrials included Barlow Rand, down 25 cents at \$25.50, and Sasol, off 20 cents at \$14.

Helsinki record run defies doomsters

CONTRARY to frequent predictions of a downturn the Helsinki Stock Exchange is clocking all-time highs almost weekly.

Stock prices, which gained an average of 65 per cent last year, have since risen by another 44 per cent. Turnover had reached Fm 9.8bn (\$2.2bn) at the end of June, compared with the figure of Fm 6.4bn for the whole of 1986, given by the International Federation of Stock Exchanges.

During the past couple of years the Helsinki exchange has come of age. Its volume may still be tiny compared with the biggest bourses but it is growing fast. The average monthly turnover today far exceeds the annual total only four years ago.

At the same time prices have risen to "international levels". Price/earnings figures of around 5 were quite common only a year ago. Today the average weighted p/e ratio is 15.

The continuous bull market has a number of roots. First and foremost, Finland's economy is in exceptionally good shape. GDP is growing at an annual rate of 3.3 per cent, exceeding that of practically all European countries in the Organisation for Economic Co-operation and Development.

Exports to Western Europe

Olli Virtanen on a tiny bourse coming of age



should increase substantially this year and inflation should be held at around 3.5 per cent. Confidence in the Markka, which came under heavy speculation a year ago, has been restored and the currency is in no immediate danger of being devalued.

The corporate sector, particularly forestry, is expected to show substantially better results this year than the last. Some analysts predict net income will rise by an average of 30 per cent from last year, and investment activity has not been seriously hurt by relatively high interest rates.

The Bank of Finland has allowed the money supply (M1) to grow substantially during the past two years. Tax reforms and lower oil prices have left Finns with plenty of funds to invest in securities. Moreover, Finland's new coalition Government, led by the Conservatives and the Social Democrats, has no immediate reason to embark on a tighter fiscal policy than the previous cabinet.

Other reasons for the strong market are more directly related to shares. A new law on unit trusts will enable the first such funds to

start business in September, a move expected to boost demand for securities considerably.

The Stock Exchange may also welcome new entrants if state-owned companies are partially floated. The Government is expected to allow a subsidiary of the fertilizer group Kamira, as well as Valmet Paper Machines, the world's leading manufacturer of paper-making machinery, to sell minority stakes to private investors.

Postipankki, the post office bank, is due to become a limited liability company, ending its present status as a government office. This, however, may not involve a public flotation, or a quotation since the shares will probably be distributed among other state-held companies and offices.

Investors would welcome practically any new entrant. The few new companies, mainly on the over-the-counter list, have seen their issues subscribed dozens of times over, reflecting the constant lack of scrip.

Rising share prices have proved doom-mongers wrong month after month. But there is the danger that the longer the upturn continues the likelier their predictions may become, resulting in painful reality for holders of new Finnish investors who have seen nothing but growth in the market place.

EUROPE

Brussels and Madrid soar away

London slides further

A FRESH setback in government bonds set the scene for another day of sliding equity prices in London yesterday.

Buyers backed off amid worries about interest rates and the huge backlog of unsettled equity deals.

Bonds closed near the day's lows, with net falls of 1 1/2. However, equities staged a late rally, and a final loss of 13.0 to 2,333.9

tenth, in which the Kuwait Investment Office has a minority holding, said it has bought a 15 per cent stake in the chemicals group.

Brussels shot to a sixth successive record as local joined the buying spree begun on Friday by overseas investors. The stock exchange index rose 91.49 to 5,247.81.

Holdings featured strongly. Reserve, the share of Société Générale de Belgique, edged Bfr 30 higher to Bfr 4.170 after news of the company's planned October rights issue.

GBL picked up Bfr 80 to Bfr 4.130, Sofina Bfr 300 to Bfr 15,800 and Tractebel Bfr 150 to Bfr 1,800.

Petrofin's Bfr 275 rose to a year's high of Bfr 13,450 led by a strong chemicals sector, with UCB rising Bfr 475 to Bfr 11,925. Of the utilities, Ebes up on Bfr 180 to Bfr 5,380 and Electrabel Bfr 170 to Bfr 8,270.

Metal Hoboken closed Bfr 520 up at another year's high of Bfr 9,100. Vieille Montagne was Bfr 180 stronger at Bfr 6,240.

Madrid extended the gains prompted on Friday by the Bank of Spain's very economic forecast and reached record levels. The general index closed up 6.71 at a peak of 270.87.

Chemicals and banks headed the field, with Central moving up 20 percentage points to 1,012 per cent of nominal market value. Santander added 7 points to a year's high of 1,317. It will become this week the third Spanish group to be listed on the New York exchange.

Explosivos Rio Tinto added 10 points to 870 per cent. Torres Hos-

amid caution prior to a crop of corporate results due in the next few weeks.

The first international report will be Philips on Wednesday. It gained 70 cents to Ft 56.50 as the market discounted expected 30 per cent higher first-half earnings. Other international blue chips eased.

The ANP-CBS index, which is weighted heavily in favour of these issues, fell back 2 to 314.9.

The publishing saga continued as trading was suspended in shares of Elsevier, Elsevier and Wolters Samson, after Elsevier effectively raised its bid for Elsevier by Ft 46.20 to Ft 444 a share. At suspension, Elsevier was 30 cents off at Ft 53.80, Elsevier Ft 2 up at Ft 414 and Wolters Samson 50 cents lower at Ft 125.

Paris retreated under profit-taking after an opening advance.

Electronics and construction stocks, the leaders of last week's gains, were worst hit by the profit-takers. The all-share index was 3.46 lower at 348.98.

Engineering group Kvaerner lost Ft 75 to Ft 2,400. SEB dipped

Ffr 24 to Ffr 890 and SAT Ffr 20 to Ffr 70.

Bouygues, negotiating a possible takeover of Agromat of Spain, lost Ffr 25 to Ffr 1,175 among construction, with GFM Ffr 19 lower at Ffr 706. Entreprises Jean Lafarge rose Ffr 22 to Ffr 870.

Zurich softened in sluggish trade, still depressed by sales of Nestlé shares. Nestlé bearers gave up Ffr 350 to Ffr 10,050 after the group last week forecast level earnings for the year and lower sales.

Sandoz registered, however, climbed Sfr 300 to Sfr 14,400 following Friday's favourable interim results.

Banks and insurers followed the easier trend.

Milan edged higher in moderate trade as market optimism grew that Prime Minister-designate Mr Giovanni Conza would succeed in forging a new governing coalition.

Among leading blue chips, Fiat closed 196 higher at L12,146 and Montedison rose L43 to L2,488. Olivetti gained L245 to L12,495.

Clothing Benetton, however, sank L790, or 4.3 per cent, to L18,500.

Stockholm was marginally firmer despite a rise in domestic interest rates.

Carmaker Volvo strengthened SKr 2 to SKr 362 on a wave of foreign buying which took the share's seasonal turnover to nearly a third of the bourse's total SKr 184m.

Oslo fell under the combined blows of profit-taking and a dip in oil prices. The all-share index was 3.46 lower at 348.98.

Engineering group Kvaerner lost Ft 75 to Ft 2,400. SEB dipped

ASIA

Trusts move in to lift Nikkei above 24,000

TOKYO

INVESTMENT TRUSTS stepped into the Tokyo market late in the day yesterday, lifting the Nikkei average above 24,000 for the first time in eight trading days, writes *Shigeo Nishiwaki* of Jiji Press.

The Nikkei firmed 140.07 to end at 24,044.98 after slumping 121 at one stage. However, turnover weakened from Friday's 801m to 364m shares as buying interest focused on issues sensitive to commodity market movements and on smaller capital stocks. Advances led declines by 451 to 402, with 139 issues unchanged.

The market has risen a total of 1,262 points in three days from July 23, recouping almost all the 1,306-point loss suffered in the four days from July 17.

Buoyancy has returned to the market partly thanks to investment trust's bargain-hunting since July 23. The bellwether index scored its largest single-day surge of 906 on Friday.

The slide into lethargy in early trading yesterday reflected investor disappointment at the subdued stance of institutions late last week, brokers said.

In afternoon trading the investment trusts began buying in small lots, prompting purchases by securities companies.

Stocks of firms with strong earnings prospects were among the best performers. Nishin Steel headed the actives list with 13.92m shares traded, adding ¥1 to ¥81 after shedding ¥15. Its strength was credited to expectations of a recovery in the stainless-steel market and brisk demand from the housing sector.

Reflecting the comeback in the aluminium market, Sumitomo Light Metal Industries strengthened ¥20 to ¥81 and Showa Aluminium ¥71 to ¥765.

Tokyo Steel Mfg., with 10.59m shares traded, climbed ¥30 to an all-time high of ¥1,150 on increasing demand for rolled steel.

Tokuyama Soda advanced ¥50 to ¥840 on investor appraisal of rising chemical prices, while Snow Brand Milk Products rose ¥80 to ¥1,890 due to renewed investor interest in its growth potential in the biotechnology field.

Heiwa Real Estate added ¥40 to ¥2,090, Yamato Kogyo ¥30 to ¥1,190 and Arai-Gumi ¥250 to ¥1,510 in buying for quick profits.

In the large-capitalisation sector, Nippon Steel, second-busiest issue with 12.62m shares, and Ishikawajima-Harima Heavy Industries, both increased ¥2 to ¥329 and ¥615. Tokyo Electric Power added ¥180 to ¥6,300.

High-technology stocks closed mixed: Sony gained ¥70 to ¥4,470. TDK was up ¥120 to ¥5,000 and Matsushita Electric Industrial added ¥10 to ¥2,510, while NEC weakened ¥10 to ¥1,840.

Elsewhere, financials rebounded

in late trading after falling steeply in the morning. Major stocks in this sector ended lower, with Sumitomo Bank easing ¥80 to ¥3,890 and Nomura Securities ¥40 to ¥4,350.

Bonds tumbled after surging at the weekend. The yield on the benchmark 5.1 per cent 10-year government bond due in June 1998 shot up from Saturday's 4.33 per cent finish to 4.740 per cent in block trading on the Tokyo Stock Exchange after plunging to 4.510 per cent at one stage.

The yield's rally reflected growing concern over high prices, dealers said. The yield later reached 4.750 per cent in inter-dealer trading.

SINGAPORE

THE LATEST suspension of trading in First Capital shares set off sharp losses in afternoon trading in Singapore, with the Straits Times industrial index shedding 23.34 to 1,338.37.

Turnover also fell from Friday, by 9.5m shares to 41.5m, which was seen in some quarters as a sign that the recent setback in the market was not creating any investor panic.

The First Capital suspension at its own request came after the share price had picked up 6 cents to S\$1.80 on 2.4m shares traded after plunging 49 cents last week.

Elsewhere, Chuan Hup recovered 1 cent to S\$8.21 after the company denied rumours that it was under investigation for impropriety. It had fallen 37 cents last week.

Fourth suspension for First Capital, Page 24

HONG KONG

AN ACTIVE session in Hong Kong saw prices little changed at the close after late profit-taking cancelled earlier gains. The Hang Seng index was 3.27 up at 3,348.87.

Cheung Kong, whose long-rumoured share placing finally materialised, lost 10 cents to HK\$12.30. Hutchison Whampoa was also off 10 cents at HK\$13.20.

Evergo added 2 cents to 72 cents after news it had sold its nearly 35 per cent in Hongkong Hotels, while the letter added HK\$1.50 to HK\$64.50. Evergo is to buy a stake in the local Oriental Daily News.

AUSTRALIA

INDUSTRIALS attracted late buying in Sydney, countering a fall in golds and resources to leave share prices overall little changed. The All Ordinaries index finished 0.1 lower at 1,998 in heavy trading.

Among the industrials, Elders IXL added 10 cents to A\$5.24 in advance of its restructuring announcement. AFP Investments, which put forward the plan, climbed 8 cents to A\$3.60.

KEY MARKET MONITORS

Sweden (J & P)				Orange Juice			
1982	1983	1984	1985	1982	1983	1984	1985
500	1000	1500	2000	75	100	125	150
1986	1987			1986	1987		

STOCK MARKET INDICES				CURRENCIES (London)			
NEW YORK	July 27	Prev	July 28	US DOLLAR	July 27	Prev	STERLING
DJ Industrial	2,493.84	2,485.33	1,810.04	DM	1,550	1,545	2,350
DJ Transport	1,056.38	1,052.42	720.50	FF	160.35	149.50	240.25
DJ Utilities	201.04	199.91	207.45	FF	1,725	1,675	9,895
S&P Comp	310.65	309.27	240.22	DM	1,535	1,535	2,462.5
				FF	2,080	2,085	3,347.5
				DM	1,342	1,341	2,145
				FF	39.45	38.40	61.70
				DM	1,3345	1,3380	2,1475

LONDON FT				INTEREST RATES			
Or	1,834.20	1,845.00	1,263.80	Euro-currencies			
SE 100	2,333.90	2,346.90	1,545.80	1-month	9 1/4	9 1/4	9 1/4
A All-share	1,196.50	1,192.66	767.96	3-month	3 1/4	3 1/4	3 1/4
A 500	1,307.45	1,314.92	830.57	6-month	2 1/4	2 1/4	2 1/4
Gold mines	432.80	442.80	199.30	12-month	8	8	8
A Long gilt	5.49	9.35	9.54	FT London Interbank	7 1/4	7	7
World Act Ind	129.26	126.91	93.49	US Fed Funds	6 1/2	6 1/2	6 1/2
(July 24)				US 3-month T-bills	6 1/2	6 1/2	6 1/2

TOKYO				FINANCIAL FUTURES			
Nikkei	24,044.98	23,942.94	18,060.6	US Treasury Bonds (COT)	July 27	Prev	July 28
Tokyo SE	2,007.32	1,999.35	1,482.02	10-year	93.12	93.04	93.24
				5-year	102.125	102.06	102.09

AUSTRALIA				COMMODITIES (London)			
All Ord	1,999.1	1,999.0	1,118.6	Silver (spot fixing)	July 27	Prev	July 28
Metals & Mins	1,277.3	1,280.5	491.1	Copper (cash)	£1,053.0	£1,068.50	£1,053.0
				Coffee (Sept)	£1,235.00	£1,217.50	£1,235.00
				Oil (Brent Blend)	£19.325	£19.525	£19.325

AUSTRIA				GOLD (S/Oz)			
Credit Alben	218.11	213.42	229.78	London	July 27	Prev	July 28
					\$452.25	\$459.25	\$452.25
				Zurich	\$452.50	\$453.45	\$452.50
				Pans (Bulg)	\$451.39	\$451.92	\$451.39
				Luxembourg	\$453.40	\$453.75	\$453.40
				New York (August)	\$454.20	\$454.50	\$454.20

BELGIUM SE				DENMARK SE			
	5,247.60	5,196.12	3,646.74		203.88	202.58	
				CAC Gen	415.30	414.0	377.5
				Ind. Tendance	106.40	107.0	86.70

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